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MINISTRY OF TRANSPORT.

RATES ADVISORY COMMITTEE.

GENERAL REVISION OF RAILWAY RATES AND CHARGES.

PROCEEDINGS OF MEETING

HELD ON

3RD JUNE, 1920.

NINTH DAY.



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MINISTRY OF TRANSPORT.

GENERAL REVISION OF RAILWAY RATES, TOLLS AND CHARGES.

OLD HALL, LINCOLN'S INN, W.C.2.

Tuesday, 11th May, 1920.

Terms of Reference:—

"The Minister having determined that a complete revision of the rates, fares, dues, tolls and other charges on the railways of the United Kingdom is necessary, the Committee are desired to advise and report at the earliest practicable date as to:—

- "(1) The principles which should govern the fixing of tolls, rates and charges for the carriage of merchandise by freight and passenger train and for other services.
 - "(2) The classification of merchandise traffic, and the particular rates, charges and tolls to be charged thereon and for the services rendered by the Railways.
 - "(3) The rates and charges to be charged for parcels, perishable merchandise and other traffic conveyed by passenger train, or similar service, including special services in connection with such traffic."
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MINISTRY OF TRANSPORT.

RATES ADVISORY COMMITTEE.

GENERAL REVISION OF RATES AND RAILWAY CHARGES.

PROCEEDINGS OF MEETING

HELD ON

3RD JUNE, 1920.

PRESENT :—

F. GORE-BROWNE, Esq., K.C. (*Chairman*).
SIR WALTER W. BERRY, K.B.E.
W. J. DAVIS, Esq.
W. A. JEPSON, Esq.
L. A. MARTIN, Esq.
W. M. ACWORTH, Esq.
S. J. PAGE, Esq. (*Secretary*).

NINTH DAY.

MR. J. H. BALFOUR BROWNE, K.C., appeared for The Federation of British Industries.

SIR JOHN SIMON, K.C., SIR LYNDEN MACASSEY, K.C., MR. BARRINGTON WARD, K.C., and MR. BRUCE THOMAS appeared for the Railway Companies' Association.

MR. ROWLAND WHITEHEAD, K.C., and MR. G. W. BAILEY appeared for the St. Helens and Widnes Manufacturers and Traders.

MR. ROWLAND WHITEHEAD, K.C., and MR. EDWIN CLEMENTS appeared for the Iron and Steel Federation.

MR. G. H. HEAD appeared for the Livestock Traders' Association (instructed by Messrs. Maxwell, Brownjohn & Co.).

MR. JACQUES ABADY (instructed by Sir Thomas Ratcliffe-Ellis) appeared for the Mining Association of Great Britain.

SIR ROBERT ASKE (instructed by Messrs. Botterell & Roche and Hill Dickinson & Co.) appeared for the Chamber of Shipping of the United Kingdom and Liverpool Steamship Owners' Association.

MR. F. G. THOMAS (instructed by Messrs. Francis & Calder) appeared for the Association of British Chambers of Commerce.

MR. W. A. WARDLEY (instructed by Messrs. Adler & Perowne) appeared for the Association of Railways.

MR. EDWIN CLEMENTS also appeared for the Mansion House Association on Railway and Canal Traffic.

Chairman: I see that the increase in railway rates did appreciably affect the coastal traffic in January, February, and March of this year, according to a table which Sir Norman Hill handed in and which appears in the print.

Sir Robert Aske: Of course, Sir, you will appreciate that the subsidy was still in existence.

Chairman: Yes.

Sir Robert Aske: And so long as the subsidy is in existence it is not a fair test.

Chairman: Still there has been an increase of 20 per cent. to 25 per cent. by reason of the increase in rates, and if you get rid of the exceptionals there will be a still more substantial increase.

Sir Robert Aske: You will appreciate that the subsidy affected only the overseas traffic, and therefore the only portion of the traffic which the railway rates could possibly affect is simply the home traffic.

Chairman: Yes.

Mr. Rowland Whitehead: I appear with my friend Mr. Clements for the National Federation of Iron and Steel Manufacturers. Although I have not hitherto taken up much of the time of the Com-

mittee in cross-examination of the various witnesses, I hope you will not infer from that that the case I have to present is not one of very great importance indeed. I thought it was more convenient to the course of business that I should present the case as a whole. The Federation of Iron and Steel Manufacturers is, perhaps, a representative body of the most important industry which appears before you in these proceedings. They represent the blast furnace trade, the bar iron makers, the sheet iron makers, and steel makers; and not only is that trade a large one in volume, but it is also one of the basic industries of the country. The members of the Federation control 85 per cent. of the total output of iron in the kingdom, and 97 per cent. of the total of the steel output in Great Britain. The annual production, on the average for the last three years, of pig iron was 8,630,000 tons, and of steel 9,096,000 tons. In addition to that, they are interested in an enormous traffic in subsidiary matters—for instance, fire bricks, clay, casting, limestone, and other articles. In the course of their industries they consume approximately something like 30,000,000

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[Continued.]

tons of coal, in the carriage of which they are also interested; and accumulatively they are interested, so far as they can make a rough estimate, in something like 60,000,000 to 70,000,000 tons of traffic on the railways in the course of the year.

Mr. Acworth: May I ask you a question? How far forward in the manufacture (so to speak) did the people you represent go? You see what I mean. I understand that you produce the iron—you spoke of bar iron?

Mr. Rowland Whitehead: We finish steel.

Mr. Acworth: But you do not manufacture; your people are not manufacturers?

Mr. Rowland Whitehead: We deal with iron and wrought iron—

Mr. Acworth: I follow that.

Mr. Rowland Whitehead: Tinplates—

Mr. Jepson: Tinplate bars and sheets

Mr. Rowland Whitehead: Bars and rods.

Mr. Acworth: That is as far as you go in the processes?

Mr. Rowland Whitehead: I will read out the list: Wrought iron, steel billets, rails, joists, sections, plates, sheets, tinplates, bars and rods.

Mr. Acworth: Should it not be tinplate bars, without the comma, and rods? I now have what I want.

Mr. Rowland Whitehead: I am told that tinplates are also included. Not only is it large in volume, but being a basic industry upon which subsidiary manufactures depend, any charges which you put upon an industry of that kind is bound to affect very materially a large number of other manufacturing and distributing interests in the country, and any addition to the existing scheme of rates must necessarily, therefore, fall upon the consumer with very greatly magnified effect. The main interest of this large industry is in the exceptional rates. Probably the iron and steel industry has as many, if not more, special rates than any other industry in the country, and cheap transit is to that industry the very bed-rock of their undertakings. Works have been built and capital has been expended on special sites because of cheap transit facilities; and, as you have already heard indicated in cross-examination, works have even been moved from one part of the kingdom to another in order to get the benefit of cheap transport facilities. In fact, sometimes a trader will select a site which has disadvantages in many respects in order that he might have this very great advantage of cheap transport facilities, and if the advantage which he thus secured were taken away from him he would be left saddled with disadvantages which he was prepared to face having regard to the counter-balancing advantages of cheap transport. Now, in a large number of cases you have individual rates fixed for individual works; not as a matter of legal contract—I cannot put it as high as that—or of agreement with the companies, but rates which have been designed by the managing authorities of the railway companies and accepted by the traders, after very careful inquiry and consideration, as the basis upon which they felt prepared to go forward with their business undertakings. That being so, the iron and steel manufacturers start from this point of view—namely, that as far as possible they desire to preserve the *status quo*. They consider that rates to meet the individual needs of the industries at the various points of the country will best subserve not merely their own interests, but the commercial interests which are dependent upon their great industries. In a matter of the kind, of course, the vital point is the *quantum* of the rate, and that is a matter which in a sense does not arise to-day, but which will arise in the later stages of the Inquiry. At an earlier stage, Sir, you threw out suggestions with regard to special scales, to see whether they could be devised, which would cover the greater number of the exceptional rates. My clients, so far as they can in connection with those later stages of the Inquiry, will do all they can to look into that problem and see whether special tariff scales are feasible and practicable, and will give them the benefit which they

seek to obtain. But if some such scales as those are capable of compilation there must remain over a very large number of cases which are not in any way covered by any average scale designed to meet the average case. That being so, it would be necessary, of course, if you ever arrive at a tariff scale or special rates, to have some method of determining how exceptions should be made out of that standard scale and not merely to cover the existing rates as they are to-day, but to deal with future developments and future needs of the industries.

Chairman: May I interrupt you for one moment? Are the industries with which you are concerned principally affected by home competition, or is it largely foreign competition?

Mr. Rowland Whitehead: Both, Sir. I think the figure of our exports is about 5,000,000 tons. The export trade represents a very important element which will come before you for consideration. That being so, we ask you to start not with the principle that seemed to be in the minds of the Committee at one stage—the principle of sweeping away all exceptional rates in order to impose some symmetrical scheme and then impose upon the individual trader the responsibility of showing his case should be excepted out of that symmetrical and academic scheme—we ask you rather to proceed upon the other principle. We say and submit to you, we hope, with confidence, that the right principle is to take the basis which has been proved by experience to be sound, which has been adjusted between the railway companies and the traders, and upon which great businesses have been built up, and *prima facie* assume that a scheme of exceptional rates of that character is right, and only depart from that which has been proved useful and good by experience in so far as it can be shown that those rates are inappropriate to the needs of the day. That is the matter of principle and basis upon which we suggest you should start.

Chairman: You will at some period indicate to us how we are to do that; because our difficulty, which has been mentioned many times, is that of inquiring into each rate separately when the numbers are so enormous.

Mr. Rowland Whitehead: We recognise, of course, that there will have to be some adjustment.

Chairman: It is a practical question. How are we to deal with millions of rates if we are to take each one separately?

Mr. Rowland Whitehead: We thought that when you came to deal with the actual figure of rates to be imposed it will be necessary for you, as we submit, to fix some maximum scale of rates.

Mr. Jepson: Do you mean maximum scale?

Mr. Rowland Whitehead: Yes; that will be my submission later.

Mr. Jepson: Is it your suggestion that this Committee should fix maxima? What about the working rates?

Mr. Rowland Whitehead: That this Committee should investigate the problem of fixing ultimately maximum rates, yes.

Mr. Jepson: What about the working rates?

Mr. Rowland Whitehead: I have a suggestion to make with regard to that later. I will deal with it now if you like, but I think it would be better to deal with it later.

Chairman: You had better take things, in your own order; but you will at some stage deal with the practical question of how exceptional rates are to be handled, taking into consideration their enormous number—at some stage, but not now.

Mr. Rowland Whitehead: Yes. Our submission is that that will be a matter which will come up—

Chairman: I do not care when; I want to know how. If we have, as is said, 100,000,000 or 50,000,000 exceptional rates, how are we to deal with them separately unless we give 50 years to it?

Mr. Rowland Whitehead: For present purposes our submission is this. You had a stop-gap arrangement which came into force on January 15th last—a

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[Continued.]

provisional arrangement. What its effect upon trade may be is not yet ascertained; what its effect may be upon the revenue of the railway companies has not yet been ascertained.

Mr. Davis: You see what is involved in the question. You can count a million in three weeks, working nine hours a day. The Chairman's suggestion is that you want things dealt with to the number of 50,000,000. 50 years would not do it.

Mr. Rowland Whitehead: My submission is this, that you start with that temporary arrangement, keep it in force; that this Committee should not feel under any obligation in the present abnormal and constantly fluctuating state of affairs to attempt to fix anything in the nature of permanent rates. At the present time, even while we have been sitting in this room within the last three weeks, circumstances with regard to the railways—the cost of their coal, the possible development and increase in the cost of their wages bill, and so forth—have altered, even as compared with the circumstances of January last; and it may be that in the not distant future further changes may take place. Whether they will take place upwards or downwards it is impossible at this stage to anticipate. In those circumstances, our submission is that you do not attempt at this stage to lay down anything departing in principle from this temporary stop-gap scheme which was devised, and which came into operation in January last. If necessary, let it stand for a period of three years. I will put it through a witness later; a gentleman will come and explain his views to the Committee. Let it stand for some period. Even if it is necessary to meet developments and possible alterations in prices, such as have already been taking place whilst we have been here, allow a further margin over and above that existing scale to form a sort of temporary maximum to tide the railways over this provisional and uncertain period.

Sir John Simon: Do you mean a further percentage?

Mr. Rowland Whitehead: Yes; a further percentage as a reasonable maximum, or margin, which would enable them, if necessary, to deal with changes in price and labour conditions; and whilst that purely temporary arrangement is going on that there should be a full and very close investigation of all the circumstances relating to charges on the railways. These new statistics, which are gradually being compiled, would no doubt then become of value; instead of extending over a very short period, and not yet having any determinate and indicating value, the financial statistics upon which the Committee, or the Minister of Transport, may have to proceed, ought also, perhaps, to be investigated and cleared up. The figure of £50,000,000 which a member of the Committee (as I understand him) put to me a moment ago would have to be investigated. It may be that it is a right figure, it may be that it is a wrong figure; but, so far as we are concerned, we are not aware that it has ever been challenged or analysed or investigated. The whole of the financial problems at issue should, during that period, be thoroughly investigated and brought to the test, and that then—as I will explain later to the Committee—the responsible authority should propound a new scheme of maximum charges within which the railway companies, if they remain separate railway undertakings as they now are, should have powers to charge on the same system as heretofore.

Chairman: That means that whenever they make an alteration they have to come before the tribunal to justify it?

Mr. Rowland Whitehead: If they make an alteration by way of increase beyond the standard fixed, whatever it may be. In the Act of 1894 the standard fixed was the standard of rates existing in 1892.

Chairman: You say you do not want a standard fixed, but maxima, and the railway companies to be

at liberty to charge within those maxima. The question I asked was whether you intend that they should be at liberty to charge subject to an obligation to justify every increase before the tribunal.

Mr. Rowland Whitehead: I was leading up to the answer, which I think I can now give you. I have indicated that in our view there should be maxima, and that you should, say, during a period of three years, have a temporary stop-gap scheme taking the January rates as actual rates, with a margin for increase, if need be, during that period, and that that standard of actual rates (whatever it may be), that is to say, January 15 last, plus justifiable increases, should be the new standard, and above that standard of actual rates the railway company will always have to justify within the maximum. That is the suggestion.

Mr. Jepson: So that your suggestion is that two things should be done pretty well at once. Supposing it is proved that the additional expenses of the railway companies are not met by the £50,000,000 which was budgeted for in January last, then your suggestion is that a further percentage might be added to the existing figures to meet that increased expenditure?

Mr. Rowland Whitehead: Yes.

Mr. Jepson: And then that there should be a maximum fixed within which the railway companies should work to meet any further fluctuations that are necessary.

Mr. Rowland Whitehead: If you are dealing with a permanent state of affairs.

Mr. Jepson: No; the stop-gap arrangement for three years.

Mr. Rowland Whitehead: My suggestion is that the stop-gap arrangement should remain in force for three years, say, and at the end of that period (whatever it is), you have then a certain system of actual rates in force.

Mr. Jepson: But what are we to do during the three years if the railway companies want some additional revenue? What are they then to do within the three years?

Mr. Rowland Whitehead: I will deal with that point. Our submission is that during those three years the circumstances which would justify a change in the rate will be circumstances not relating to the particular traffic as a rule, but broad, general considerations arising out of economic, financial, and labour conditions; and, therefore, the question whether there should or should not be an increase will be one no doubt of great moment, but simple in its elements; one which, therefore, could be tested if challenged by a simple discussion before such a tribunal as the Railway Commissioners; and that, during that period, we will say of three years, if the railway companies on good, general grounds think there should be a general rise in rates, they should propound their scheme, and with proper provision made for expediting the hearing—I will not go into the details of it—before the Railway Commissioners; that if that increase (we will say of 5 per cent., or 10 per cent., or 15 per cent.; whatever it might be) was challenged, it should come at once to trial; perhaps there will be three months' notice, or something of that kind; some reasonable period of notice during which those rates will be held in suspense; and that then if the railway company fail to justify those rates will cease to operate; if they justify—probably they would not act without good cause—then the Commissioners might confirm those rates and they would become the active and effective rates during the provisional period.

Mr. Acworth: Then, your maxima, as you propose, do not come into existence until the termination of the interim period.

Mr. Rowland Whitehead: Not the new permanent maxima.

Mr. Acworth: You suspend the idea of maxima for three years?

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[Continued.]

Mr. Rowland Whitehead: No. I suggested that there should be a temporary maximum by putting a percentage on beyond which the railway companies ought not to go without the consent of Parliament.

Mr. Acworth: Yes. Sir Thomas Ratcliffe-Ellis put forward that same kind of idea.

Mr. Rowland Whitehead: Yes, that is the idea.

Mr. Acworth: Another question on a matter I do not quite follow. Are you saying that this should be done for your clients, or do you ask to have it as a scheme for the whole railway situation?

Mr. Rowland Whitehead: I am in this difficulty.

Prima facie, my great interest is exceptional rates, and if I can secure proper protection in respect to exceptional rates, I do not say I am not interested in the general question, but my great interest is satisfied. On the other hand, this Committee might not think that the preservation of the scheme of exceptional rates was desirable in the general interests. Then my main proposition would fail and I should have to come under the general scheme for all my traffic. In those circumstances I am bound to be interested in the general scheme, and I think the propositions I have been putting before you would be of general application and not merely limited to us.

Mr. Acworth: Platonically you suggest it for the traffic of the whole country, but you are mainly concerned with your own particular interests?

Mr. Rowland Whitehead: Yes.

Mr. Jepson: Might not this position arise in the next three years or even during the next 18 months, perhaps—that the Ministry of Transport, on the representation of the railway companies, would say the railway companies require another £20,000,000, or £30,000,000, or £40,000,000, or £50,000,000 to meet increased expenditure, and he refers it to this Committee to advise him what should be done. Do you then suggest that this Committee should say: "Very well; go to the Railway Commissioners"?

Mr. Rowland Whitehead: I am speaking in a representative capacity and that particular proposition has not been discussed by my clients. If I give a personal answer perhaps you will not necessarily regard it as that of my clients; but may I suggest that the answer is this. We submit that there should be some power, in the event of the railway companies going beyond (we will say) a 15 per cent. rise, of appeal to some tribunal, some authority to determine what is reasonable.

Mr. Jepson: I am afraid I do not quite follow it. May I take it that your proposition is something like this? We have a stop-gap arrangement which came into force on January 15 of this year; it may be that in the course of a very short time further money will be required by the railway companies and a further advance in rates will be necessary. Do you say now that this Committee should fix maxima 15 per cent. or 20 per cent. above the existing temporary rates within which the railway companies should have freedom to move?

Mr. Rowland Whitehead: Yes.

Mr. Jepson: If they wanted to do anything beyond that 15 per cent. or 20 per cent. which might be the maximum over the present rates, then the case would have to be stated before the Railway Commissioners. Is that your proposition?

Mr. Rowland Whitehead: No. If they go beyond the temporary maximum of 15 per cent. (or whatever it is) that it should be only with the authority of Parliament. Then the 15 per cent. should have the right of appeal, against any unreasonable increase, to the Railway Commissioners or to this tribunal—it does not make much difference before which tribunal you go, but there is the machinery of the Railway Commissioners Court to handle such questions.

Mr. Acworth: Are you not proposing to repeal the Act of Parliament? Under the Act that brings us here the Minister, acting on the advice of this tribunal, has the whole authority to fix rates, and the Commission on that point is ousted by an Act of Parliament. It seems to me that you are proposing to put it back.

Mr. Rowland Whitehead: Is that so? Is it not rather this? It is true that during a limited period of two years, with extension, the Minister of Transport has the power to fix rates and so forth; but, as I understand it, he has asked this Committee to advise him as to what should be done during that period of two years.

Mr. Acworth: Not as to methods but as to what rates he shall fix.

Mr. Rowland Whitehead: Yes.

Mr. Acworth: Not what machinery should be used, because Parliament has settled that.

Mr. Rowland Whitehead: My submission is that it would be a proper reply for this Committee to make to the Minister of Transport to say, "At this juncture we are not prepared, owing to the fluid conditions in which all these matters now are, to advise with regard to the specific rates on this or that;" but we do advise the adoption of such a principle as that which I have just been indicating. That is to say, take the existing state of affairs, put a temporary maximum on the top of that, for, say, three years, during that period have an opportunity of appeal to the Commissioners, or to some other authority, in respect of any unreasonable increase, and by the end of your period (three years, or whatever period it may be) then see whether a permanent and definite scheme based upon maximum rates cannot be evolved.

Chairman: I think we understand your proposition now. It is that we should advise that the present rates be not fixed, and that we should maintain the January arrangement with a right to the railway companies to increase upon that up to 15 per cent. subject to an obligation to justify. That is your proposition?

Mr. Rowland Whitehead: Yes. Now supposing that the view I have presented to you, and will present to you through the witness, with regard to exceptional rates does not prevail with the Committee, then the question arises—How are you to deal with these general propositions which have been discussed from time to time during the last few days? My clients feel that when you come to discuss these principles so much depends—in fact, everything depends—upon certain preliminary questions being considered. They have already been discussed and I will only indicate them in a few words. Are you going to have one system over the whole of the kingdom, or are you going to have groups of railways, or are you going to have a large number of railways? On the answer to that depends many of the financial and economic questions arising out of the rates themselves. Then are you going to discuss—that is a point we have already arrived at in cross-examination by the members of the Committee—actual rates at the moment; are you going to discuss a standard scheme which will have a temporary value, or discuss maximum rates?

Chairman: You will have to address yourself, if you are to help us, to the proposition that we either will fix, or may have to fix, rates which are to be put in force—standard rates of some sort. It is open to you to say there will be maxima as well; but you will have to address yourself to that proposition because we must bear it in mind.

Mr. Rowland Whitehead: Assuming that, and assuming that you have in substance large groups of railway companies in this country, our submission is that these railway undertakings, if they remain as they are today—undertakings earning dividends in the interests of shareholders—they must be kept on as going concerns. For this purpose it is right that they should have revenue from their rates which, taken as a whole, will be sufficient to pay their out-of-pocket expenses, repairs of the railways, and renewals—those renewals which ought to come out of revenue—provision for up-to-date equipment, and a reasonable profit on effective capital. What would be a reasonable profit with regard to any particular company or any particular part of its undertaking is, of course, a matter of detail, which depends upon the circumstances of that particular company and that particular line. What will be the effective capital of any particular company will depend again

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[Continued.]

on circumstances existing on that particular line. It is common knowledge that there are many places in the country where capital has been invested by railway companies, as by other traders, unwisely, not showing any return. All those are matters of detail which will have to be gone into when you come to consider what is the sum the railway companies ought to receive as revenue out of their rates, and, therefore, the sum which ought to be charged as a whole on the rates paid by traders. But, in principle—after all, we are only dealing with principles at this moment—our submission is that there is no justice in calling upon the traders, and it would be wrong to call upon the traders of to-day, to make good and to pay interest upon some bad speculation of past railway mismanagement; that it is only effective and good capital which has value in the undertaking as a business concern in respect of which there should be the reasonable profit to which I have referred. Then another point which has been suggested, and to which I think I ought to allude, is this: I think it was you, Sir, from the Chair who suggested that if once you ascertain what is the sum which it is fair and reasonable to allow the railway companies to raise—let us call it x —if once you ascertain outside this room what the figure x should be, that then it is for the traders primarily to allot that figure of x amongst themselves rather than for the railway companies. That we submit to you would be wrong. The traders have not necessarily all the same interests as regards the working out of these railway problems. Some traders are interested in the short-distance traffic, some in the long-distance, some in the heavy goods, some in the distributive trades where the consignments are small. You get entirely different considerations as between different classes and groups of traders; and our submission is that it is not possible for the traders themselves to evolve any scheme which should be put before this tribunal, or Committee. The primary duty in that respect should be upon the railway companies who are conversant with the conditions of railway traffic, and that adjudication between the various conflicting interests of traders—if they may be called conflicting—certain varying interests, should be in the hands of yourselves as an adjudicating authority.

Chairman: Supposing the railway company say: "We really do not care in the least"; would you say the traders do not care either and, therefore, it does not matter?

Mr. Rowland Whitehead: Our submission is that the railway companies in effect are the only authorities who do understand the working out of these traffic problems in detail. They have an enormous amount not merely of statistical knowledge in their hands, but they have got the practical experience—daily experience.

Chairman: You are not addressing your mind to what I asked you. Supposing the railway companies are secured the proper revenue and do not care whence they get it? I agree with you entirely that they have a great deal of information which would be useful, but they say: "If the tribunal secures to us £200,000,000 a year, that is what we want; we are quite content with the present classification; we do not want any changes made."

Mr. Rowland Whitehead: You have touched upon a point which is very germane to these considerations; that is, if you tell the railway companies that they shall have in any event a certain sum which will pay them a dividend on their shares, of course, you take away from the railway companies all incentive—

Chairman: You would rather not answer my question, then?

Mr. Rowland Whitehead: I think it lies at the very root of the question.

Chairman: You are giving me reasons instead of giving me an answer. Supposing the railway companies do say, "We really do not care; we are quite content with the present classification as it stands;

we ask you to make no changes"—are the traders content to leave it at that?

Mr. Rowland Whitehead: As regards classification, as regards rates, as I have already indicated, the iron and steel manufacturers are content with the existing system.

Chairman: And you do not ask us to make any change?

Mr. Rowland Whitehead: No.

Chairman: Very good; let us leave it at that, and pass on.

Mr. Rowland Whitehead: In these circumstances we say it is not necessary or desirable that we should submit any alternative scheme. If the railway companies come before you and say, "We want another £50,000,000, or another £100,000,000," the primary duty should be upon them to show how that money should be raised.

Chairman: Very good. If you say the traders are not concerned we need not trouble about that.

Mr. Rowland Whitehead: A question has been raised as to cost and value. On that I should like to offer a few observations on behalf of my clients. Of course, that again affects mainly the subsequent issues of this Inquiry—namely, the actual rates. It is not a fact that cost is the only element in these matters. My submission is that you cannot disregard, even in connection with railway charges, the element of competition; you also cannot disregard what the trade will bear. It is quite true that in all commercial transactions cost forms a very important—perhaps the most important—element in the matter.

Chairman: Are not you going back on what you said just now, that it was for the railway companies to settle the distribution amongst themselves and for the traders?

Mr. Rowland Whitehead: No.

Chairman: You just now told me it was for the railway companies to settle that. Why need you trouble?

Mr. Rowland Whitehead: It is for them in the first instance to compound a scheme. But I hoped I was going to address myself to the point—

Chairman: I thought your answer would have been that there were certain principles in which you are very much interested, and you put forward what they were; but instead of that you told me it was for the railway companies to settle.

Mr. Rowland Whitehead: I said with regard to a practical scheme the primary duty—

Chairman: You draw a distinction between a theoretical scheme and a practical scheme. We have to put forward a practical scheme.

Mr. Rowland Whitehead: I did not wish to lay stress on the word "practical" as regards a scheme to be submitted to this Committee, it seems to me and to my clients that it would be wrong to impose upon the traders the duty of allocating amongst themselves the charges necessary to produce a total sum— x pounds—that the primary duty should be upon those who are responsible for the management of the traffic, and that then any scheme submitted by them would properly come under the criticism of the traders.

Chairman: Where you and I are in difference is this. You are asking us to postpone everything, and have a number of things done before we take our first step. That is not the position which this Committee will have to take up. You will help us most if you will submit any considerations which you consider ought to affect the matter so far as the Federation of Iron and Steel Manufacturers are concerned. If you say there ought to be any changes, will you indicate in what direction and the reasons for them? At present they stand. We know the position, and up to the present nobody has proposed changing them.

Mr. Rowland Whitehead: I will endeavour to follow your indication. In that regard may I go back to what I was saying a moment ago, that in fixing or determining what should be the charges, this Committee, in my submission, should have regard to the question of competition; and have regard also to

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the question of what the traffic will bear. Those are the two considerations which have always weighed with the railway companies themselves in the past. My submission is this. Although it has been alleged that water competition, for example, is for the moment, dead, this Committee would be unwise and wrong, in my submission, to regard that as being a permanent and inevitable factor in the transport problem in this country. My clients inform me that in fact it is not entirely dead, and water competition does exist to a certain extent even to-day. Be that as it may, my submission is that, looking at the future with any reasonable regard to possibilities or probabilities, it would not be right to assume at this stage that the conditions as regards water transport, which have come into existence in consequence of the War, are permanent, and should form part of the permanent footing on which you proceed to fix rates. In considering what is a fair rate, competition is a proper matter to take into consideration. Then, the other point as to what the trade will bear, also is a consideration which is always regarded as of great importance by the actual managers of the railway companies, who have had to deal with the fixing of rates for particular articles, and especially in fixing these exceptional rates for the great industries of the country. It is said, and I do not want to follow that point beyond what is right, that in questions before the Railway Commissioners the cost of working the railway is the only consideration which affects any question of increase of rates.

Chairman: I do not think you will find this tribunal will say that the cost of working is the only element to be taken into account.

Mr. Rowland Whitehead: Very good. I will not pursue the matter. There was a little controversy about it, and I am quite prepared, if necessary, to submit the view which I presented to the Committee that cost is not the only factor which the Railway Commissioners can take into consideration. There are two main principles which, to the Iron and Steel Manufacturers, seem vital in dealing with this problem of the actual rates. One is to secure, so far as possible, stability and continuity in their trade and the conditions under which they carry on their business. The second is to have certainty as regards the amount of the charges and conditions. Really, these two principles underlie most of the answers which they have given to the questionnaire of the Committee. Their business is such that in many cases they have to enter into contracts for long periods of time, and for the purpose of carrying out those contracts to sink capital in various works, machinery, and so forth. They find that it is necessary, if they shall be able to offer a firm price to secure a contract for any lengthy period, that there should be definite continuity, fixity, and stability in these railway charges.

In normal times that is obvious. It is for that reason that they desire, as I have already indicated, as far as possible to preserve the *status quo*. For example, when you come to deal with siding charges, they are quite content with the existing system, under which the siding charge can be fixed by agreement between the trader and the railway company, and, if there is a dispute as to the amount, that that dispute should be settled by the Railway Commissioners, or by some arbitrator appointed by the Board of Trade. At the same time, in order to make certain what the amount is which, after all, is an important element, they think, with many other traders whose view has already been presented to the tribunal, that these siding charges should be entered up in the rate book as a separate item, to indicate what the amount is; and so when you come to station and service terminals.

Mr. Jepson: With what object, seeing that there is only one party interested, the siding owner?

Mr. Rowland Whitehead: I am not sure that there is always only one party interested. It is quite true the main party is the party who pays the rate, but there are often, as Mr. Jepson must be well aware,

in connection with station traffic and other matters, other traders interested in knowing exactly what the amount to be repaid is, and what the net rate paid is.

Mr. Jepson: If you think other parties might be interested, that is an answer.

Mr. Rowland Whitehead: That is their view, that it should be entered up; and so with regard to station and service terminals. I do not think there is any longer any controversy as to this point: When you are dealing with standard rates, if they come into force, these should have some standard station terminals and service terminals appropriated to them in the rate book. If you come to a tariff scheme for an exceptional class of goods, I submit that there cannot be much difficulty in arriving at what would be a fair station terminal and service terminal in respect of such a standard scale. Then, with regard to the residuum of these exceptional rates which are below the tariff, it is quite true that they would probably be fixed in order to meet the special circumstances of particular trades and the particular place; but surely, if there is any difficulty at all, or any hesitation on the part of the railway company, to allocate a specific charge to a station terminal or a service terminal in respect of such rates, there would be no difficulty at all in applying that proportional system which would be discussed in the light of the Pidcock system, which, though not necessarily a principle, is still commonly known as that, and applying that as a proportional abatement from the standard or tariff scale to each of the elements, which must be regarded as included in the commensurate rate. That is my submission. There is no real difficulty about it. The only point is this: those charges need not be quoted. It would be unnecessary, in my view, to increase any clerical work with regard to that, so that every separate charge like that would have to be quoted. When a trader wanted to know whether a rate from Bristol to Birmingham was 10s. or 11s., it is sufficient, in the first instance, according to the view which I am presenting, that the quoted rate and the rate which appears in the body of the rate book should be the lump sum charged; but that in the earlier part of the rate book, or in some convenient spot, this system of analysis of the station and service terminal charges should be readily accessible to any member of the public, and, if necessary, particulars given by the responsible clerk of the railway company.

Mr. Acworth: As I understand you, if you have a standard, the rate book disappears as we have known it hitherto.

Mr. Rowland Whitehead: Why?

Mr. Acworth: London to Birmingham is 112 miles. Your rate is so many miles at the class rate, which is a piece of arithmetic, plus the known terminal.

Mr. Rowland Whitehead: We may be at cross purposes. Would not it be necessary for a record to be kept at the railway station showing what that standard scale was, so that a trader, when he went to the railway station could ascertain it for himself?

Mr. Acworth: But the standard scale will be classes and mileage. What you will have to do is to look up in the mileage table how far it is from London to Birmingham, and then your Class A at 112 miles is so many pence.

Mr. Rowland Whitehead: Yes. Then, having got in your rate book or in record at the railway station such a scheme, which would be available for a trader to look at, there would be associated with it, not necessarily in a book, but associated with it, and accessible to the view of the trader, a statement that, in respect of Class A traffic, at the standard rate, 6d. will be for station terminals.

Mr. Acworth: Exactly.

Mr. Rowland Whitehead: In respect of the tariff rate, an article in that tariff will be 4d.; in respect of the exceptional article, 2d. or whatever it may be. That document will appear contemporaneously, and would be accessible to a trader at the same time as when he looked at the record of the scale charge.

Chairman: I think I understand your proposition. As regards the standard rate and the tariff rate

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that would be shown, and therefore it need only be stated once what were the terminals. As regards the exceptional rate, the railway companies may either state the terminals separately, in which case they would be bound by their statements, or leave them unstated, in which case the Pidecock rule would apply.

Mr. Jepson: Except that Pidecock's rule could not apply unless you had a maximum.

Mr. Rowland Whitehead: I think Mr. Jepson is technically right that Pidecock was based on an abatement from a maximum tariff.

Chairman: We base the new Pidecock on standard charges. Then have you any use for a tribunal at all?

Mr. Rowland Whitehead: In fixing rates.

Chairman: Once the rates are fixed, do you want to leave anything to go to a tribunal.

Mr. Rowland Whitehead: Do you mean the rates of the station terminals or the rates as a whole?

Chairman: Everything. Do you want the tribunal at all? There is the Railway and Canal Commission to appeal to if there is anything wrong. Do you want the tribunal to fix anything, once the standard rate has been fixed?

Mr. Rowland Whitehead: There would be many questions which would come before the Railway Commissioners, such as undue preference.

Chairman: You have the Railway and Canal Commission to settle such matters as undue preference and to appeal to with regard to facilities and junctions and so forth. Do you want a tribunal in addition or not?

Mr. Rowland Whitehead: I was going to come to that. We submit we are quite satisfied with the Railway and Canal Commission.

Chairman: Your answer to my question is that you do not want a tribunal.

Mr. Rowland Whitehead: Yes, we are quite satisfied, subject to little variations in details which I propose to touch upon in a moment.

Chairman: You could have answered my question, "Yes."

Mr. Jepson: Are you going to deal with the proposition which has been put before us of having local tribunals all about the country? What do you think of that?

Mr. Rowland Whitehead: I will deal with that, if you will allow me to postpone it, in a moment. I am not going to fail to deal with that. That being our view, there are certain questions arising. There is the cumulative method of charge. That is conceded on all hands as being right. Then there is the question of continuous mileage. In some respects there would be a very great advantage to the trader in having continuous mileage all over the country—certainly in some respects.

Sir John Simon: I do not want to interrupt my friend, but I do not quite follow what he means by cumulative charge as distinguished from continuous mileage.

Chairman: 20, 30 or 50 mile rate.

Mr. Rowland Whitehead: What is referred to as the tapering charge—tapering down.

Sir John Simon: I follow you.

Mr. Rowland Whitehead: As regards the continuous mileage, you come up against all sorts of financial problems as to whether you are going to maintain the existing system of companies, because that might mean a very great financial hardship on an individual company. Are you going to have big groups, or are you going to have a comprehensive whole? I am not going to embark upon that very difficult matter, but obviously it affects the whole problem, and it affects it in this way. If you have large groups with something like a uniform scheme of charges, of course, a large group can take the rough with the smooth. They may be merged, and many of these problems do not arise. . . . On the other hand, if you have a small company with some special cost of construction affecting it, and that company is kept alive as a separate undertaking, the problem becomes one of justice not merely as regards the convenience of the trader, but justice to that particular company. Those are problems which in the abstract one cannot deal

with, but they do arise, and therefore my clients do not feel able to answer that particular question which you have put, except in a general way, that they appreciate the advantage of having some scale such as Mr. Acworth indicated a moment ago of so much as a mile for so many miles. There are difficulties, undoubtedly, in that, but until those problems are settled they do not feel they can give a definite answer to that question. But on one point they do wish me to give a definite answer, and that is this. They do not think that the circumstances in Scotland are such that it would be possible to have a uniform system throughout the whole of Great Britain, and even within Scotland itself. As you will remember from some of the cross-examination yesterday, there are special circumstances affecting the Highland Railway which runs through a sparsely populated district, which are quite different from the dense industrial area round Glasgow, and which make a very clear distinction between the cost of a railway of that kind and the normal cost which you will find existing in England itself. Therefore, they do not think it possible, and they submit to you it would not be right, to have any completely uniform system, which will bring Scotland as well as Great Britain in as a common whole.

Chairman: I am afraid your answer also means one could not unify the whole of Scotland.

Mr. Rowland Whitehead: Well!

Chairman: It does, does not it, because the Caledonian and the Highland are on a totally different footing?

Mr. Rowland Whitehead: I was trying to deal with the question as to whether you could have a uniform system.

Chairman: That is exactly the question I am putting to you. Does not your answer also mean that you could not have a uniform system within Scotland?

Mr. Rowland Whitehead: My clients doubt whether that is possible, having regard to the fact that you have a railway like the Highland Railway, which goes through a very sparsely populated district, which I believe is under very special terms.

Chairman: Would not it be much shorter if to my question you said your answer was Yes?

Mr. Rowland Whitehead: Very good. I will not go into the further questions with regard to owner's risk and company's risk, and those matters which you have indicated that you propose to deal with on Tuesday, but I will come to the question which Mr. Jepson put to me in regard to the tribunal. Here again, to the big industries which I represent, the primary and fundamental fact is that they desire to have a tribunal which has continuity, regularity and stability in its decisions. They want a tribunal which adheres to judicial procedure, and establishes precedents which will guide the tribunal itself, and which will be of assistance to those who may call in the assistance of the tribunal in adjudicating upon the rights of the parties. They say that the questions in which they are interested are likely to be big questions, not small questions, and that they would prefer to be allowed access to a court of the type of the existing Railway and Canal Commission Court. It is a separate and large class of case in which they are likely to be concerned. They do not say in their view that the procedure should not be expedited. There might be changes in matters of detail, but in principle they think that there should be a permanent judicial body of gentlemen who devote the whole of their time to that particular matter—not gentlemen who are chosen haphazard from a panel from time to time, or anything of the kind, but gentlemen who devote the whole of their time to that. They should be presided over by a gentleman of legal and probably judicial experience, and they desire that the big questions which they may wish to discuss should go before such a tribunal.

Chairman: What you are saying is very important and very interesting. We will, at a later stage, see whether there is a third alternative which might meet

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what you are saying; but what you are saying is very important, and I am much obliged to you.

Mr. Rowland Whitehead: Very good. May I just answer the question which Mr. Jepson put to me? That being so, my clients say that *prima facie* they would not go before a local tribunal. They do not want to be forced to go before a local tribunal, but there may be many minor matters which need not require an expensive process of trial before the Railway Commission. Their suggestion was, in answer to your questionnaire, that those matters should go before the Registrar of the Railway and Canal Commission. That point was taken up by Sir Thomas Ratcliffe Ellis in his examination-in-chief. My clients listened to what he said, and in the main they accept his modification of that scheme; that is to say, it might be convenient for the Registrar to have assessors from time to time, not necessarily the same assessors, but assessors chosen by the parties to adjudicate upon minor points. But they do attach importance—and this is the point to which I wish to direct your attention—to the fact that the Registrar of the Railway and Canal Commission should form a part of the minor tribunal for this reason. He would be an officer of the Court; he would be familiar with the procedure and the principles upon which that Court acted in dealing with larger matters. My clients feel that it is most important in matters relating to railway rates not to have casual and haphazard decisions in different localities, which may differ from one another in principle, but that there should be some continuity and definite judicial process in all the various localities, so that the smaller questions may be decided upon similar principles to those which relate to the larger ones. It is for that reason that they suggest that the Registrar should form an important part, perhaps acting as the presiding officer, in any local tribunal, which may be set up to deal with local questions, or questions not of the greatest importance.

Mr. Acworth: I do not think there has been any proposal by anybody that the local tribunal should decide anything.

Mr. Balfour Browne: It is to be conciliatory merely.

Mr. Rowland Whitehead: I think I am right, but as I have understood the suggestion made hitherto, it was that the local tribunal should discuss and conciliate and decide with binding force absolutely nothing. Is not that what you have understood?

Sir John Simon: I think so. I have always so understood it.

Mr. Rowland Whitehead: If that were so, if the local tribunal were purely of a conciliatory character, and of an advisory character, that would leave the main question of going to the Railway and Canal Commission as a whole to my clients, which is what they desire to preserve.

Mr. Acworth: May I put it in this way? What your clients think is, broadly speaking, that lawyers are better competent to deal with these questions than practical men?

Mr. Rowland Whitehead: No.

Mr. Acworth: Am I not right in putting it in that way?

Mr. Rowland Whitehead: I do not think that would be a justifiable interpretation of what I said.

Mr. Acworth: You have pressed all through the importance of legal decisions.

Mr. Rowland Whitehead: There should be that Court, and it should be presided over by a gentleman with legal training, or even a member of the judicial bench; but I do not therefore mean to suggest that all the members of the Court should be lawyers. I thought it was common ground that it should not be so.

Chairman: I understand you. You wish them to be permanent, so that there will be uniformity and continuity, but you do not ask that more than one should necessarily be a lawyer?

Mr. Rowland Whitehead: No, I must confess I thought the result of the discussion already—and I did not press the point for that reason—was this, that there was a feeling that one member of the new tribunal, whatever it is, should represent trade interests, and the second should represent railway interests. I thought that was common ground.

Mr. Acworth: I am very glad, because I thought you were going against that.

Mr. Rowland Whitehead: I am much obliged to you. I thought that was common ground, and now settled.

Mr. Martin: If you had your Chairman as you suggest, would you suggest as the assessors that you have business men called together from a panel for particular cases.

Mr. Rowland Whitehead: We desire not to have first one business man and then another business man.

Mr. Martin: The Chairman would secure continuity, and there would be a panel of business men who would be called together according to the case that was before the tribunal as assessors working with your legal Chairman, who will guide them on any question of legal principle.

Mr. Rowland Whitehead: May I postpone that question until my witness is in the box rather than give you a personal answer? I do not know whether they have considered whether there should be a business assessor introduced specially for the case.

Mr. Jepson: You might ask your witnesses to be considering an alternative, which is this. Suppose the president were a gentleman with legal training, and then there were two or four permanent business men connected with him, with a panel also of other people who might be drawn upon to deal with and bring into the body of the Court information with regard to the particular trade or business concerned in the matter in dispute?

Mr. Rowland Whitehead: Yes.

Mr. Jepson: So you would get the benefit of continuity, and you would get the benefit from the panel of having people engaged in the particular business.

Mr. Rowland Whitehead: The gentleman who is going to give evidence is in the room. I am sure he has heard your questions, and he will be prepared to deal with that when the time comes. I have already indicated to you the grounds on which we think it would be better to deal with the matter by percentage, and so forth. I will not go back to that. But I do want to emphasise two points which my clients regard as essential in dealing with any question of railway rates. The first point is this. If you are going to provide for any lengthened period you must have a system of maximum rates fixed similar to that which was adopted in 1891 by means of a Provisional Order sanctioned by Parliament and subject to the criticism of traders in Parliament before they take operative effect.

Chairman: You do not mean 1891; you mean 1891 plus 1894, which is a very different proposition.

Mr. Rowland Whitehead: I will deal with that.

Chairman: You would not be content with 1891?

Mr. Rowland Whitehead: The main reason, or a very important reason, why my clients think that maximum rates are really an advantage is this. First of all, they do form some check upon the railway companies in raising rates, and, secondly, they do encourage railway companies by imposing a limit beyond which they cannot go, to act upon principles of business efficiency and economy and wise administration of their affairs. If you release a railway company or any other person in the kingdom from any sort of financial responsibility, and give them a free hand to get their revenue or their income, whatever it is, regardless of consequences, they will not be regardless of those economic principles which teach one to make the best use of the opportunities before them which otherwise they would do. But if they have a restraint, a guiding maximum, beyond which they cannot go, and within the limits of which they must make and earn their dividends, if they are going to pay dividends to their shareholders, then you do impose on all the officials of the railway company

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an incentive and an obligation to see that every effort is made to make the machinery of the railway business as effective, as economical, and as wise as possible.

Chairman: You have killed a shadow which nobody has proposed, namely, that they should be free to raise their rates as they pleased, but why would not the limit fixed upon them by a standard rate approved by a tribunal have the same effect in encouraging efficiency?

Mr. Rowland Whitehead: For this reason, which is a very important reason. The only suggestion that is before this Committee in that regard is a suggestion that the railway companies, if they raise their rates, should be liable to challenge by any trader who would have to show that the increase is reasonable.

Chairman: No, there is a suggestion before the Committee that the rates should be fixed by a tribunal, and that the railway companies should not be allowed to increase their rates without the direct approval of that tribunal.

Mr. Rowland Whitehead: That, in effect, would preserve the Act of 1894.

Chairman: You do not answer the question which I put. It is, would not that encourage them to act efficiently?

Mr. Rowland Whitehead: Well, I am not sure that it would for this reason. The problem of determining what is a reasonable increase or a reasonable rate or anything of that kind, is a very difficult problem. It is a very expensive matter for any trader, or any group of traders, to fight. The number of cases which would come before such a tribunal would be relatively few. It would be a burdensome undertaking to fight out each individual rate in that way, or even a group of rates, and a burden which the traders as a whole would find impossible to discharge.

Chairman: Then how would they act if the railway companies brought an Act of Parliament in to increase their rates? Would the traders oppose, or would they feel it was too burdensome for them to oppose it?

Mr. Rowland Whitehead: They could oppose an Act of Parliament.

Chairman: Why should not they oppose an application before the tribunal, which would be a very much cheaper thing than opposing an Act of Parliament? If you put a statutory maximum the railway companies, in case they found the pressure of circumstances made it necessary for them to increase their rates, would go to Parliament for authority to increase, and there would be the usual Parliamentary procedure which is generally considered expensive. If there was not a maximum, they would go to the tribunal and ask for an increase. While I am giving no promise as to what the cost of going to the tribunal would be, it is generally anticipated that it would be less than going to Parliament.

Mr. Rowland Whitehead: It is very difficult to conjecture about these things, but I should have thought, and I think in this respect I represent my clients, that the burden of disputing individual rates or increases of rates before a tribunal by first one trader and then another, if he dissented from any proposed increase, was one that the traders would find beyond the possibility of meeting. Traders are always under a great disadvantage in discussing these problems, because most of the facts which relate to the conditions of railway traffic are known to the railway companies, and to the railway companies alone. Therefore, a trader approaches these problems with very great difficulty and very great diffidence, and always at great expense.

Chairman: Is it your experience that since 1894 it has been practically impossible for the railway companies to increase their rates?

Mr. Rowland Whitehead: No, it is very far from that. They have increased their rate in coal with the authority of the Railway Commissioners. They have increased their class rates with the authority of the Railway Commissioners, the question being what percentage the increase should be.

Sir John Simon: I do not follow that. I do not think the second one is right.

Chairman: Do you mean under the 1913 Act?

Mr. Rowland Whitehead: No, I was alluding to the earlier cases, the coal cases, before the Railway Commissioners under the Act of 1894, and the Smith and Forrest case which dealt with exceptional rates and class rates.

Chairman: I am asking for information, because I know nothing about this. What is the sort of number of cases? Have there been 100 cases, or 1,000 cases, or what?

Mr. Rowland Whitehead: I could not tell you off-hand. There are not a large number of cases.

Chairman: Or 10?

Mr. Rowland Whitehead: There have been a very large number of increases of rates which have never been brought before the Commissioners. That, I think, cannot be questioned.

Mr. Acworth: It would be correct to say, would it not, that practically there have been no increases of individual rates since 1894? It has only been taken up where it was a big thing and you could put the whole group together. Is that what has really happened?

Mr. Rowland Whitehead: No, I think there have been many cases in which there have been increases of individual rates. There were general increases in the year 1893, which came before the Courts in 1895. There have been also general increases with regard to coal. I think twice there has been an increase with regard to coal.

Mr. Acworth: I do not think you are exactly meeting my point. This is the point I want to ask you. Has there been practically any case raised before the Commission asking for power to increase a particular rate, from A to B, from 3s. 7d. to 3s. 8d.? Has there ever been a case of that kind?

Mr. Rowland Whitehead: We had a case before the Railway Commission a short time ago with regard to particular articles. There was a case with regard to tubes, as it was called.

Sir John Simon: Really that is not so.

Mr. Jepson: Those are quite different cases. That is not in the same category. That was a case where the question was whether a tube was a tube or whether it was something else.

Mr. Rowland Whitehead: Yes; it did not raise a question of increase of rates with regard to the particular article, but the point that was discussed finally and settled by the Court was the question of classification.

Mr. Jepson: Is not the answer to the Chairman this? In Smith and Forrest's case, which you quoted just now, certain principles were raised as to whether the companies were justified in increasing the small scale and in increasing their rates more than five per cent. above those of 1892. In the Smith and Forrest case, I think the railway companies did justify that small increase, and that was regarded as rather a settlement of principle.

Mr. Rowland Whitehead: Yes, it was regarded as rather settling the principle of percentage which might then be allowed.

Mr. Jepson: It was a small increase over the 1892 rates.

Mr. Rowland Whitehead: I think they had increased it by five per cent., broadly speaking, and allowed three per cent., taking the traffic as a whole; and the question was fought on the figures and statistics of the whole undertaking.

Mr. Acworth: This is what I want to get your mind to. In the 20 years between 1894 and 1914, would it be fair to assume that there have been a good many cases where it would have been reasonable, in comparison with other rates, to raise a particular rate, say Class 5, between station A and station B, by 4d.? You can imagine a good many cases of that kind would have been reasonable, can you not?

Mr. Rowland Whitehead: It is possible. I am personally not aware of it.

Mr. Acworth: Nor am I, but with millions of rates it would seem that adjustments of that kind might be proper in a good many individual cases. The point I am asking you is this. Has any railway

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company ever brought a case of that kind to the Railway Commission?

Mr. Rowland Whitehead: It is not the duty of the railway company to bring these cases before the Commissioners. The trader has to complain to the Commissioners of the rate.

Mr. Acworth: Has a case of that kind ever come to the Commission?

Mr. Rowland Whitehead: I am not aware of that at this moment. That was the point I was trying to put to the Chairman, that the burden of dealing with these matters of increase of rates, and of determining what is reasonable, is one which is a very heavy burden indeed upon the trader. It is one which he avoids dealing with if he possibly can. He is diffident about seeking the help of any tribunal to adjudicate upon these matters. The problem is one which is almost insoluble so far as he is concerned, and certainly is expensive. It is for that reason, among others, that we suggest to you it is desirable to have some control line beyond which the railway companies must not go, which would be represented by maximum rates.

Sir John Simon: I do not know whether I might just say this or that. It is a matter which no doubt the railway companies could give the Committee some information on. I am only speaking provisionally, but whether it was an individual rate, or whether it was a matter more of general principle, it is plain it would have to be advertised under the law. Therefore, I think we shall be able to inform the Committee, but at the moment some very experienced people who know this subject, tell me they cannot call to mind a single instance of advertising to put up an individual rate.

Mr. Balfour Browne: I do not know of one.

Sir John Simon: My friend, Mr. Balfour Browne, has a greater experience than any of us in these matters, and he says he does not know of an instance. There have been cases of advertising to put up a class of rates in a district. That has certainly been done. But I do not think an individual rate charged against an individual trader as between two points has occurred.

Mr. Acworth: My recollection is that it has always practically been the advertisement of the clearing house and not the advertisement of an individual company.

Sir John Simon: That is probably the same point.

Mr. Acworth: Really, that is how it is worked out.

Sir John Simon: I do not for the moment say it is so. You will not take me as giving evidence, but we shall give such help as we can to the Committee on that point.

Mr. Rowland Whitehead: My friend, Sir John Simon, is probably right in saying that in the case of railway rates the railway companies do not select a particular rate and advertise it with regard to that, but they deal with the rates in a particular district or a particular group of rates and advertise them as a whole. That may be so or it may not. If it be so, what then? It is the individual rate which the individual trader pays.

Chairman: If there was a maximum the railway company would have to do it by a Bill in Parliament instead of by advertising and giving the trader the opportunity of going to the Railway Commission.

Mr. Rowland Whitehead: Whilst we welcome the opportunity of checking the railway companies by going before a tribunal, whatever be its constitution, whether it be the Railway Commissioners or some other tribunal, and whilst that is a protection to traders against an undue and unwise increase of rates, we still think—

Chairman: That you would rather go to Parliament, to put it shortly?

Mr. Rowland Whitehead: We would rather that you should start with a line beyond which—

Chairman: We have assumed the line, the question is how to get beyond. You say you prefer that the railway companies should take you to Parliament and you should take the railway companies before the

Railway Commissioners. That is the long and short of it, is it not?

Mr. Rowland Whitehead: We submit this—

Chairman: Is not that the long and short of your argument? There is a line assumed, whether it is called maximum or standard; somebody is going to try and go beyond that line. In one case the authority to go beyond it would be with the tribunal, in the other case with Parliament. You prefer that the railway companies should take it to Parliament than that it should be taken to the tribunal?

Mr. Rowland Whitehead: We desire to have both.

Chairman: Parliament will overrule the tribunal, it must, you cannot have both.

Mr. Rowland Whitehead: We submit that these are statutory undertakings which have special statutory privileges and so forth.

Chairman: Now you are arguing it. You do not tell me what you say. Is it not that you would rather go to Parliament?

Mr. Rowland Whitehead: We say if you once fix—

Chairman: Very well, I will take it that I am not to be answered.

Mr. Rowland Whitehead: If Parliament fixes a maximum no authority other than Parliament should sanction going beyond that maximum. That is the first proposition.

Chairman: That is obvious, you need not tell me that, that is the law. I was asking you whether you would rather have a maximum so fixed that the only way of altering it was to go to Parliament or would rather have a standard which could be altered without going to Parliament, and I understand your answer to be that you would rather go to Parliament.

Mr. Rowland Whitehead: Yes.

Chairman: Now you have said yes, that is enough.

Mr. Rowland Whitehead: We desire to have the maximum fixed by Parliament and then we desire this, that if there be an attempt by the railway company to increase an actual rate beyond the figure at which it stands, that the provision of the Act of 1894, which requires a company to justify such a change should remain in operation for the protection of traders, and an actual increase within the maximum should still remain susceptible to discussion and adjudication upon by the tribunal, whether it be the Railway Commissioners or some other body. That is the submission that we make to you and we make it for this reason, that under the Act of 1894 the onus of justifying is cast upon the railway company. That seems to my clients a matter of the very greatest importance owing to the very great difficulties I have indicated in which the trader is always placed in determining what is a reasonable figure. When a change is made by a railway company it is made for reasons known to the railway company themselves, and therefore it is just and right, in the view of my clients, that the railway companies should disclose the reason why the change has been made and satisfy the tribunal whatever it may be.

Chairman: I do not know whether I shall be able to get an answer on this point which I am anxious to know and which goes to the crux of the matter. Would your clients be content that what the railway company have to prove is general reasonableness, or do you want it limited to increase in cost?

Mr. Rowland Whitehead: It should be general reasonableness.

Chairman: I cannot ask for a better answer than that.

Mr. Rowland Whitehead: Because general reasonableness introduced this element, that you have regard to what the traffic will bear as well as the cost of the out-of-pocket expenses of the railway company.

Sir John Simon: I will take upon myself to make a concession on my side as far as I understand the railway view. I quite agree, subject to what the Chairman has just put, that if the railway companies think it proper to ask that they should

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make a higher charge than has hitherto been the authorised charge, it would be naturally for the railway companies to show that they were right in their view. I am not suggesting that the railway companies could announce that they proposed to charge more and sit down and leave the trader to prove why they should not. I concede that.

Chairman: As long as it is general reasonableness.

Sir John Simon: It is well understood I want to be able to take upon myself the burden and try to discharge it of showing what is now proposed is in all the circumstances, including what my learned friend mentions, a reasonable charge.

Chairman: Mr. Whitehead very reasonably indeed said that was his view, too.

Sir John Simon: Yes.

Mr. Rowland Whitehead: I think, Sir, with those preliminary observations I will put into the box the gentleman who has gone into this fully on behalf of the Iron and Steel Manufacturers and he will deal with the specific questions which Mr. Jepson

and others have asked me. I would ask you, if I have taken longer than I had hoped, to excuse it on this ground.

Chairman: Please do not apologise, I have been at the Bar and I know how difficult it is to deal with everything in a very short space of time.

Mr. Rowland Whitehead: I think the interests are very great in regard to the iron and steel manufacturers in this matter, and I hope you will listen with great care to the evidence.

Sir John Simon: I ought to say in what I said just now I was not intending in any way to give up or to ask you to pre-judge the question as to whether in any circumstances the new charge might come into operation before instead of after it was finally proved.

Chairman: I understand that is another point altogether.

Sir John Simon: That is a separate point.

Chairman: Yes.

Sir John Simon: I am obliged to you.

Mr. JAMES MORTON, called.

Examined by Mr. ROWLAND WHITEHEAD.

3096. You are one of the Managing Directors of William Baird and Company, Limited, Coal and Iron Masters?—Yes.

3097. Where do they carry on business?—In Glasgow and elsewhere in Scotland.

3098. Are you a member of the Transport Committee of the Federation?—Yes.

3099. Are you Chairman of the Scottish Committee of Iron and Steel Manufacturers which is dealing with transport questions?—Yes.

3100. Have you prepared a statement which you desire to place before the Committee?—Yes.

3101. Will you proceed to deal with that statement?—Yes. Might I say that this is a joint statement prepared by another witness and by myself, and I will ask your indulgence if there are some

points in respect to which I require to refer you to the other witness. We thought it desirable to make one bite.

Chairman: Thank you. It puts it in a very convenient form. Why not have both witnesses at once. Mr. Whitehead?

Mr. Rowland Whitehead: Mr. Simons is here, but I do not know whether it will be necessary to call him.

Chairman: Let him sit alongside Mr. James Morton.

Mr. Rowland Whitehead: I will see if it is necessary to call him later.

Mr. Jepson: Mr. Morton suggests that it is.

Mr. Rowland Whitehead: Very well.

Chairman: Put them both in the box together.

Mr. Rowland Whitehead: Certainly.

Mr. WILLIAM SIMONS, called.

Examined by Mr. ROWLAND WHITEHEAD.

Mr. Morton: Particulars of the National Federation of Iron and Steel Manufacturers, and the extent and importance of their industry. The National Federation of Iron and Steel Manufacturers is fully representative of the industry. The number of members is 252. The approximate wages bill of the members is £21,000,000 per annum. The estimated capital of the members of the Federation approaches £150,000,000. The steel production of Great Britain is 9,539,000 tons, of which 8,694,000 are produced by members of the Federation. The products which are dealt with by the members of the Federation are pig iron, including ironstone, wrought iron, steel billets, blooms, rails, joists, sections, plates, sheets, tinplates, bars and rods. The traffic necessary to carry on these industries represents a very large proportion of the goods traffic dealt with by the various railway companies. The tonnage of this traffic, which represents some 16 to 18 per cent. of the total traffic of the railways, is approximately as follows:—In connection with the production of steel ingots and castings, 9,600,000 tons; in connection with the production of pig iron, 8,000,000 tons; fuel consumed in such production, from 30,000,000 to 35,000,000 tons. A basis industry. It is important, also, to bear in mind that the production of iron and steel is a basic industry, upon which other important allied industries, such as engineering and shipbuilding, and many other consumers, depend for securing what to those industries are raw materials at a cost which will enable them to compete in the world's markets. There are other special features of the iron and steel industries which must be borne in mind as affecting railway transit. The amount of capital involved in the organisation and maintenance of works is much larger in proportion to turnover and

profits than in most other industries. Furthermore, the maintenance of production is dependent on the receipt of supplies, almost daily, from ironstone mines, coal mines, and other industries, and therefore entirely dependent upon the efficiency and continuity of railway transport. Nature of the traffic. Something like 10 tons of material and waste have to be handled in various stages to produce 1 ton of finished steel, of which about 7 tons are carried on railways. The traffic of our industry is principally regular traffic, both in and out of the works, and in view of the large amount of capital involved, and the desirability of preventing stoppage of any portion of the works, conditions frequently occur when it is economically desirable, both in the interests of the railway companies and the steel works, that special rates should be put into force for a particular kind of traffic, in order to maintain continuity of working and of general railway transit. It is also important to observe that works have been constructed and businesses commenced and developed on the lines of known traffic conditions and costs, and that any drastic change is bound to affect prejudicially many businesses which have been built up on the lines of a continuity of policy. We desire to emphasise further this point when dealing with the question of exceptional rates. Might I say here, that, generally speaking, the position of our trade is in favour of a preservation up to a point of the *status quo*, I say up to point because we only refer to the *status quo* except in so far as good cause can be shown for the *status quo* being altered. We have no objection whatever to alteration as alteration, or to improvement, we wish improvement, but, what we do say is this, that we are entirely opposed to anything of the nature of violent change upon what really is the charter of the industrial life

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of this country. We feel that many businesses have been built up upon known conditions, and we really cannot project our minds sufficiently into the future to enable us to prophesy what may be the effect on industry and on various branches of the industry by making changes with respect to rates, in one respect or another, and we, with very great deference to the Committee, would deprecate anything of the nature of a sweeping away. It might be that it is a very desirable thing to sweep away in order to start with a clean slate, but history has been writing on the slate and we feel that there should not be a change unless on cause shown. In saying that I fully appreciate the great difficulty which this Committee has, and I fully appreciate the feeling with which this Committee looks at a statement that there are 100,000,000 and over 100,000,000 of exceptional rates which have to be dealt with. I have before me the fact that these very large numbers of exceptional rates will be materially decreased by a procedure which you very possibly may follow, but that there still will be large questions and large numbers of exceptional rates which will require to be dealt with. We would deprecate that these should be swept away without enquiry, because we do not know what the consequences might be. While I have departed for a moment from my printed evidence, might I just follow on to say this, that we quite appreciate the great difficulty of application for increases being made by railway companies in such a way as to snow under the tribunal which might possibly be set up? I know that the Committee has a strong feeling that there might be practical difficulty in meeting a situation which might in that way emerge. What I would ask your consideration for, however, is this: suppose that instead of doing as we suggest, namely, that you should fix rates for a temporary period during the present abnormal circumstances, you fix permanent rates, so to speak, for all time, would you be increasing or decreasing the amount of trouble, and perhaps chaos, which might thereby be caused. In the meantime, if rates are raised—I mean to say, if costs are raised—the railway company has a certain amount of unity of action and can move quickly, and it raises its rates and has to justify it. That is on the side of an increase, but if you at the apex of prices fix permanent rates and leave it to the traders of the country to get these rates down again, when the cost of living goes down, or when the value of money again goes up, you are putting, if I may say so with deference, the traders of the country in an almost impossible position. Suppose the cost of living goes down by 10 per cent. some day, sometime hence, are we to have thousands or hundreds of thousands of individual traders applying to a tribunal for the purpose of getting the rates down. Long before the tribunal could hear even a moiety of the cases, it is very likely that there would be another 10 per cent. drop. I am merely parenthetically putting this before you, you no doubt have your own means of meeting such a situation as that, but if it is the case that you have so strongly borne in upon you, the chaotic condition which might emerge if many railway companies had to apply for increases of rates and many people oppose, I would ask you to consider also the other side of the picture which might result if permanent rates were now fixed, and if the traders had to come back and endeavour to get these rates taken off—

3102. *Chairman:* Will not that follow anyhow? Take the position we are in at the moment: 50 per cent. put on in the middle of January last. Suppose costs fell largely: the traders would then agitate and bring pressure to bear upon the Minister of Transport, and he would direct an inquiry as to whether the 50 per cent. which was necessary in January had not become unnecessary in September, 1921, whatever it might be, and representative bodies of the traders would appear and press for a general reduction, and in a proper case it would be granted. That is if we leave it alone and do nothing at all. Suppose instead of that we fix now a number of standard rates which we are somewhat under an

obligation to do, because many people have written to say that the increases are most unfair, and we have always answered that there is going to be a general revision presently, and you get heard then. Suppose we did put a new set of rates trying to get rid of anomalies as far as possible: that again would be alterable if circumstances changed; if costs went up it would be necessary to add a fresh percentage; if costs went down the traders could make an application that the percentage should be taken off?—That is under the Transport Act.

3103. If a new Act was substituted it probably would be part of that Act that not only might the railway companies apply for further increases, but traders acting through representative bodies might apply for general decreases?—In that case the individual trader would have just to do what the large body said.

3104. Of course it would come to that. There would be in addition to that the right of an individual to say, "For some special reason I am unjustly treated." No doubt his case would be a difficult one, but I think the suggestion which has been put forward is that if there were a rates tribunal in existence, any individual, any class, any representative body, might say a particular rate is very unfair and ought to be put down. I say he would have a difficulty, but he would have that right. On the other hand, if it were a general form of cost of working the railways, or it appeared as the result of a year or two's experience a mistake had been made and the railway companies were making an undue amount of profit out of the rates fixed, then the traders could come forward generally speaking by representative bodies and ask that all the rates should be put down by a percentage?—By a percentage that, as you say, would obviate confusion on almost an illimitable number of applications. In the same way the same provision dealing with the rise and fall in the cost of living would operate in the case of the railway companies which might desire to raise their rates. That also could be done by a percentage increase and done without a very inordinate amount of trouble. Perhaps your solution of the difficulty from the trader's point of view might assist to the solution which you have in your mind of dealing with a very large number of applications for increase on the part of the railway companies. May I go back to my statement? With regard to the importance of law and special rates, having regard to certain other special conditions of our industry, we view with much concern the suggestion which has been made that articles of a low grade, or cheap raw materials, should bear the same ratio of increase of railway rates as articles of a higher class. As an illustration of the prejudicial effect which the adoption of that suggestion would have upon our industry, we may point out that the railway rate for lean iron ore for a distance of 100 miles is to-day much higher than the cost of the material itself. The rate in some cases is 7s. per ton, whereas the cost of the article itself is 6s. 6d. per ton. We desire to emphasise the point that it is to the advantage of the railway companies themselves, as well as the traders, that the general volume of traffic should be increased. This can only be done by securing low cost of production, so far as basic industries are concerned. The conveyance of iron ore and other materials at a low cost brings with it considerable increase in traffic. These materials cannot be used without fuel, bricks, stone, etc., in addition to the output of finished material which is handed back to the railway company. Material of this kind in most cases is the easiest and most regular kind of traffic, as it can be despatched in full train loads, and the full carrying capacity of the wagons maintained. We associate ourselves with the views already expressed to the Committee, that the traffic of an industry should be treated as a whole, and not in sections, and that great care should be taken not to interfere with practices which are the result of many years of experience, and in reliance upon which enormous industries have been built up. The Federation accepts the view that

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preliminary questions must be answered before a permanent scheme is possible. The Federation accepts the view that the railways should be placed upon an economic basis, and will gladly do what lies in its power to assist the Committee to determine how this can best be done with justice to the interests affected. It desires, however, to point out that this question calls for careful and detailed investigation. For example, if the capital of the railway companies be a dominant factor it will be essential to ascertain what is the effective capital of the various railway undertakings. Also the accuracy of estimates put forward by the companies should be tested. It was estimated by the Minister of Transport that the sum of £45,000,000 or £50,000,000 per annum would be required to put the railways on an economic basis, but no particulars showing how this amount has been arrived at have been furnished, and no opportunity afforded to the traders to ascertain the validity of such or any other estimates, or to criticise the amount or judge of the real necessity for its provision. The Federation suggests that, in order to arrive at the amount which is necessary, consideration must be given to the economies which it is possible for the railway companies to effect in carrying on their undertakings, whether by means of grouping or in other ways. To take a single illustration the Federation would point out that, at present the railway companies have been quite unable to accept and deal with much traffic which has been offered to them by the iron and steel industries. There is no doubt that, as soon as railway companies are in a position to deal with all the traffic available to them, they will derive from it largely increased receipts. The Federation further understands that many matters between the Government and the railways are yet unsettled, and that it is possible that railway companies may receive large sums from the Government when the railways are handed back to them. It suggests that this point should be carefully borne in mind by the Committee in deciding what amount it is necessary for the railway companies to raise by increased rates. The Federation is unable to agree with the suggestion that railway companies should be entitled to make increased charges in order to provide capital for future developments, excepting such as are properly chargeable to Revenue.

3105. The only suggestion is that they should be put in so favourable a position that they will be able to earn income on any fresh capital they raise, not that they should pay for capital requirements out of revenue?—I appreciate that.

3106. *Mr. Jepson:* And a position to attract capital for necessary extensions?—I was going to refer to that because I think Mr. Jepson used the words previously in this Inquiry "attract capital". We are living in times when it is rather difficult to attract capital, and I would say this, that if you intend to budget for a sufficient revenue to pay on the capital embarked in all the railway companies as large a return as is required by capital to-day—

3107. No, nothing of the kind has been suggested?—Then I do not know how you can attract capital unless you intersect some Preference Shares in front of the Ordinary.

3108. *Chairman:* I look at it in this way. If you look at the Stock Exchange List you will find at the present moment that you could not raise money on Railway Debentures under about 5½ per cent. or Railway Preference under about 6½ per cent. and Ordinary under about 8 or 9 per cent. One would expect a railway company if they needed additional capital at the present moment to raise it either by Debentures or Preference Shares. But one hopes that things will improve so that at a later date money will be more easily raised; unless one gives them a substantial income which makes their Debentures and Preference Shares safe and leaves a margin over for the Ordinary Shares in the case of a company which has been reasonably capitalised, they will not be able to raise it even on Debentures or Preference Shares?—That is to say to enable the railway companies to get a generally increased

revenue sufficient, while paying all the charges that are already fixed, to pay perhaps a larger charge on an additional amount of capital brought into the railway for the purpose of development.

3109. Yes, it ought to look like that. A railway company must be encouraged to improve its line; it cannot improve its line unless it is in a position to raise capital on reasonable terms. It will not unless it is a dividend-paying concern?—Then I accept your correction of what is said in this Proof. They consider that the adoption of such a principle might tend to encourage unprofitable expenditure—I can pass that over. Then any scheme for the immediate future should be purely temporary. Any changes in the present rates should, in the opinion of the Federation, be of purely a temporary nature, and before they are permanently fixed they should be subject to careful revision after full consideration has been given to the points to which the Federation call attention in their evidence. The Federation is aware that the powers of the Minister under Section 3 of the Transport Act with respect to rate charges will come to end and within the next two or three years unless Parliament otherwise determines. Whilst the Federation does not wish to express approval of the principle embodied in the temporary direction of the Minister, they think it would be better that some equitable scheme should be devised for allowing the railway companies to be carried on for a longer period on the basis of a temporary arrangement. They view with alarm the suggestion that the Committee should feel bound to make complete recommendations for a scheme for permanent railway charges within such a very short period of time. They respectfully suggest that the settlement of a permanent scheme should be delayed rather than that the Committee should be hurried in its decision, or that traders should not have full opportunity of considering the proposals which may be made. Permanent scheme should be prepared by railway companies when the conditions and factors of the problem have been ascertained. The Minister of Transport, the members of the Committee, and, of course, the railway companies approach the present Inquiry with the full knowledge of data which the ordinary trader does not possess, and with minds prepared for the consideration of traffic problems. An ordinary trader is not so equipped, and even where he is represented by an association it is necessary that its individual members, who carry on business under very diverse conditions, should have every opportunity for consideration. The Federation views with concern the suggestion that, when the amount of money required to place the railways upon an economic basis has once been ascertained, it may be a matter more for the traders than for the Minister or for the railway companies to evolve a scheme for allocating the cost among the various trades. They consider that the duty of preparing such a scheme of a comprehensive character devolves necessarily, in the first instance at least, upon those who have expert knowledge. In speaking to Mr. Whitehead this morning I understood, although I must say I did not catch it very clearly, that you asked if the Iron and Steel Federation were prepared to step out and leave it to the railway company to deal with the question of the allocation—I am not sure that is right.

3110. I did ask that question?—Well, the answer is in the negative, most naturally. What we do feel, I put it forward with great deference here, is that the initiative lies with the railway companies.

3111. We tried by a preliminary set of questions sent out, which questions included not only those which have been printed, but one inviting any remarks on the general scheme, to get both railway companies and traders to make any proposals. The railway companies, as far as I can gather, do not want any particular changes made, therefore you may more or less take it that the scheme they tender to this Committee is, leave things as they are. If you are content with that there is an end of it, both sides are agreed. If on the other hand you say, "No,

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there are certain changes we want," then we invite you to tell us what they are?—As I said originally to a large extent we are in favour also of the status quo, except in so far as the result of inquiry and investigation, which we have not been able to give it, may disclose reasons for a change. But certainly, while we think that a constructive policy and a constructive scheme should emanate from the railway companies we would wish to be heard.

3112. Take a case like this, the variation between the classes, as the class rate gets higher in number the charges are relatively high. That has been adopted for many years and apparently gives satisfaction, but it might be open to the traders to say, Mr. Whitehead more or less indicated it, value has not been sufficiently taken into account, articles which are very expensive ought to bear a bigger proportion than they do at present. That to the railway company would not very much matter, it is rather a question among the traders which can bear the cost best. I agree with what you have indicated and with what Mr. Whitehead indicated, that the railway companies by many years of experience have a lot of very useful knowledge about it, but it does not make much difference to them whether if £100,000 has to be got, it has to be got out of Class 4 or Class 5?—May I say with the very greatest respect for my own Association here, and for the Federation of British Industries and any other Association which may exist in this country, that, of course, we are in a little difficulty in dealing with such bodies. You put to-day, or any day during the hearing here, a question to Mr. Balfour Browne and ask him if he will consult his friends and reply to-morrow. He does. My own firm is a member of the Federation of British Industries and we are members of the Mining Association and we are members of the Federation of Iron and Steel. Of course, it is quite impossible that in the short period of 24 hours Mr. Balfour Browne could adequately represent the views of so many constituents, and if within the four corners of an Association like the Federation of British Industries you have to get the various representative organisations of the different trades into Committee to discuss among themselves the evolution of an allocation of railway rates for Great Britain, I cannot hold out much hope that you will succeed.

3113. You see the alternative is this. I see your difficulties entirely, but if you give us no help we shall have to act on our inner consciousness. Mr. Martin has a great knowledge of trade but not of all trades; Sir Walter Berry has great knowledge of agriculture and so on, but you will throw it back upon our inner consciousness against getting some help from you?—I quite appreciate although it may not appear that I do so. I really do wish to help as much as I can.

3114. I am sure you do?—As a matter of fact it looks a little as if we were trying to block by the attitude we take up, suggesting temporary rates and not permanent rates, as if we were wishing to avoid trouble. I may say we have tried as well as we can to face the situation and meet it, but in my own case, for instance in Scotland, we gave our minds as well as we could to the scale which you put forward and we could not come any distance with it. We are dealing with rates there that are on the basis for Class A, 1.75, and in England the rates are .95. We are dealing with different stages of blocks of miles and with the provision of wagons. We could not get any basis by co-ordination between your scale applied to England and the conditions which applied in Scotland. At that point we stuck. I think I gathered from you yesterday that you asked Mr. Mitchell to have the matter reconsidered and see if he could evolve some sort of scheme for Scotland, but it will be somewhat difficult.

3115. If you leave it to us we shall make no change, I presume; I do not know unless somebody else suggests a change.

3116. Mr. Jepson: Could not you, in testing the scheme thrown out by the Chairman, simply as a basis

for discussion formulate an alternative which would suit the Scottish industries?—It will be somewhat difficult, the question of the wagons comes in.

3117. I appreciate that?—One does not know how much is for the wagon. It gets in the higher reaches to big sums.

3118. Could you do something suggested yesterday. Instead of starting with Class A, where the wagon question is involved, start with Class C?—Mr. Mitchell has undertaken through the Chamber of Commerce to see what can be done.

3119. I want to emphasise it with you?—I know Mr. Mitchell very well. We will have to see what can be done.

3120. While on this, you say leave things alone, that is you leave the present basis alone. You are content with the pre-war rates. Are you content with the percentages and flat additions as they have been applied since 15th January, 1920. Do you think those ought to go on or are you dissatisfied with the different percentages on the various classes?—We would rather these should go on, as far as I understand our view, as they are at present, provided they are only temporary, than that there should be a permanent new system put upon the country in these abnormal times. With regard to the question of the flat rate increase and the minimum increase naturally you will hardly get anything but divided counsel, because it depends how far the trader is away from his market, does it not, to a very large extent. I know people who are within a few miles of the coast and do not like the minimum increase, and of course you get into a region of controversy where various people in the same trade will not see eye to eye. So far as regards the percentage additions as a temporary measure we certainly do not take any exception to that, it preserves the ratio upon which the status quo appears to have been built up.

3121. It does not as between Classes 1 to 5, does it? That is the point I wanted to hear from you?—(Mr. Simons): With this exception, I would like to point out I believe the minimum to that flat rate has hit the iron and steel industry more than it was thought when the thing was applied. In iron and steel works all the collieries of iron stones are fairly close, within 3 or 4 miles in a great many cases, and instead of there being 30 per cent. increase it has amounted to 60 or 70 per cent. increase, and that forms a very large proportion of the traffic in some respects. I only mention that. I do not wish to say we are dissatisfied with what is necessary, but to point out I believe that we have had to pay a greater increase on some of the short hauls than was intended.

3122. Mr. Acworth: In percentage the amount cannot be very large. If 3d. or 6d. is 70 per cent., it does mean the total rate you are paying is small?—It is on 70 per cent. of the traffic of some districts.

3123. Your total rate is not a very burdensome one?—My point is it is heavier than was anticipated.

3124. I want to know another thing before you leave, that is, the bulk of your traffic is Class A and B?—And C.

3125. Where the railway carriage runs to a very large percentage of the value of the article, Classes 1 to 5 only interest you to a very small extent, just shop concerns?—That is so.

3126. Do you take the same point about keeping the whole thing in a temporary position for some time? In saying that, had you the Class rates in mind or were you only thinking of the heavy rates?—(Mr. Morton): We would say with reference to all the rates that we would like that your hand should be held with regard to the permanent rating as regards them all.

3127. You are prepared to continue the anomalies and complications? You think the balance of advantage is in continuing them?—For a certain short period of time. It is rather a bad thing in principle in our view to make a drastic change at a time when the whole country is in economically abnormal cir-

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circumstances. It is a bad time to do it, that is our view.

3128. Is not there something to be said for the other view that it is easier to make it just because the circumstances are abnormal. If you made it in normal times it would be much more difficult to carry through?—(Mr. Simons): I think it will seriously affect our position, the position of the industry in the country.

3129. Now you are talking of your own trade?—It affects all other trades.

3130. I am trying to think of Classes 1 to 5. That would not touch you?—No.

3131. Would it upset the business in Classes 1 to 5 more if you deal with it now, when everything is in a state of flux, when there are enormous gaps between cost and prices. Would it affect it more now or two or three years hence when things had settled down on the old basis?—(Mr. Morton): I think the answer is this, that they would not feel it so much, that is to say, they might swallow it, but later on it might happen—

3132. Mr. Martin: Do not you think at present a good many are suffering from the temporary increase and waiting for this Committee to give as soon as they can some definite rates which they know will be redressing some of the difficulties they are now complaining of?—The basis of your advice to the Ministry was upon the *status quo* largely, the general principles applicable to the *status quo*. We would rather that should be perpetuated until a scientific investigation had taken place and reasons for the change fully developed and considered had been found.

3133. I am talking about the other trades. Yours is a large trade, but there are other trades. They are all putting up with that temporary advance put in force in January in the hope there will soon be definite rates put forward. Do you think they would like to wait another three or four years before the rates are revised?—I cannot speak for them.

3134. Mr. Jeyson: You see what your proposition involves, Mr. Morton. You have heard a good deal of the discussion with regard to exceptional rates and what a great point is being made that many of these exceptional rates have been due to competition which has passed away, and there is no reason for the present or immediate future that those should be continued. If you are going to continue pre-war rates, plus percentages which may be agreed, you will continue those anomalies and still require the Government to make subsidies to the coastal and canal carrying people in competition with railways, which it is desirable should be got rid of at the earliest possible moment. Take your case. You say most of your heavy traffic is carried at exceptional rates. Suppose railway companies can devise a scheme which turns into a tariff basis upon which all your exceptional rates are now framed, or the bulk of them, would not you be satisfied?—Not if it standardised these rates on the present high cost.

3135. Suppose those things were formulated and you had a certain time to consider them and raise objections to them before this tribunal, would that suit your point, would that meet your case?—In the meantime, before we know what is going to crystallise in your minds, we are asked to offer you such assistance as we can. Every time we do not know what the conditions are to be. It might be perfectly well that you might bring forward a report at this stage of the inquiry which we might say solved the problem. That might quite well be, but looking at it at the present moment, we think that it would be unfortunate if a permanent system of railway rating was devised when costs are so high.

3136. Chairman: I think you must bear in mind that nothing is permanent in this world at all and nothing with regard to rating would be permanent. A change of circumstances may result in a change upwards or downwards, as the case may be?—It is so difficult for traders. I appreciate what you said this morning, but, in our view, it is so difficult for traders when a rate has once been put on to get it down. To meet the point fairly and frankly, we do not know on whom to place the onus of proof.

3137. Would this, perhaps, meet your case? If we made a recommendation that certain rates should be adopted, that we should add a recommendation that they should be reconsidered at the end of three years?—That is an alternative that has passed through my mind on several occasions. What I mean is this, we have a temporary scheme. I am not likely to say to this Committee whether it is the best temporary scheme or whether it is not, but we have a temporary scheme, and I say that it works not badly and we shall be satisfied to go on with it for a period of time. If, however, for other cogent reasons, it is considered necessary that there should be some change made in this scheme, such change can be considered so long as the point is maintained that it is a temporary scheme and that there is reconsideration within a short period of time.

3138. I think we quite realise your view about the position. There is one matter you might tell me about if you can; perhaps you cannot. What sort of range do the exceptional rates run over. I was thinking of the possibility of substituting a scale for them?—(Mr. Simons): Practically the whole of the rates.

3139. I mean how much are they below the scale rates? Do they vary from being 30 per cent. to 20 per cent. below, or are they more widely different than that?—They vary considerably. I cannot give figures.

3140. I was afraid you would not be able to answer that question. Could you make a shot at the amount?—Not for the moment, but I will get some if you like.

3141. I wish you would, with a view of forming an opinion whether a tariff would sweep up a large number of them.—We have given an illustration on that point where we have specially low rates which are granted by the railway company for very lean or raw material of a low grade quality.

3142. That might well be put into operation?—I have explained that those scales are obtained by years of experience. They have to be converted long distances, and it carries with it practically 75 per cent. of loss. There is only 75 per cent. of the material which is of any value.

Chairman: That is a matter which could easily be put into a tariff?

3143. Mr. Jeyson: That might be a matter of classification. As a matter of fact, the rates for the lean ores are lower than the rates for the more metallic ores in other parts of the country. That is the practice to-day?—That is so.

3144. Suppose the present practice to-day were taken into a tariff that meets you?—I see no objection to that if it is not increased.

3145. As regards exceptional rates, suppose the railway companies are trying to turn these exceptional rates into a scale, you know there are many thousands of obsolete exceptional rates on the books, books that were given years ago and have never been used. You do not suggest that all those should be taken into consideration?—(Mr. Morton): One would have to weed them out.

3146. Would you think it was a fair weeding out to say no exceptional rate should be taken into consideration that has not been used during the last 12 months?—We would like a little time to consider that.

3147. There ought to be a limit?—(Mr. Simons): One cannot help thinking there were definite reasons for giving them, and one does not know whether those reasons still exist.—(Mr. Morton): Particularly during the aftermath of the War. There might be some dislocation of trade from its old channels which might come back in a normal period of time.

3148. Perhaps you will consider that?—(Mr. Simons): I would like to add a word before you pass away from that with reference to the effect of changes on the ore and steel industry. If you were considering any even temporary increase we hold the view that, if it can be avoided, it should be avoided at the present time because we are in a very abnormal con-

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dition. We maintain that the effect of the last increase has yet to be ascertained. We have cases in our industry where large works are idle to-day owing to the fact the railway companies are unable to accept the traffic.

Chairman: As to the new rates being proposed now, it must be many months before they come into operation. We shall not come to the question of quantum for some months.

3149. *Mr. Acworth:* I want to ask a question on that point. You appreciate what we are doing to-day is to try to fix not a tariff, so to speak, but the framework of a tariff?—(*Mr. Morton:*) General principles applicable to a new system.

3150. Take the German scale, for example. We are rather discussing whether that is a proper scale than we are putting figures on the different points of it.—That is so.

3151. You do not object, I take it, to that process being taken at once, do you, as long as the figures are kept in abeyance?—We do not object to questions of general principle being fixed, I quite agree. Very frequently, when the general principles have once been fixed, and you come to discuss questions of detail, you are told that you are a little too late, that is covered

(Adjourned for a short time.)

3157. *Chairman:* I think you have reached page 6, Mr. Morton?—(*Mr. Morton:*) Near the bottom of page 5. Permanent scheme should be prepared by railway companies when the conditions and factors of the problem have been ascertained. The Minister of Transport, the members of the Committee, and, of course, the railway companies, approach the present inquiry with the full knowledge of data which the ordinary trader does not possess, and with minds prepared for the consideration of traffic problems. An ordinary trader is not so equipped, and even where he is represented by an association it is necessary that its individual members, who carry on business under very diverse conditions, should have every opportunity for consideration. The Federation views with concern the suggestion that, when the amount of money required to place the railways upon an economic basis has once been ascertained, it may be a matter more for the traders than for the Minister or the railway companies to evolve a scheme for allocating the cost among the various trades. It considers that the duty of preparing such a scheme of a comprehensive character devolves necessarily, in the first instance at least, upon those who have expert knowledge. In considering the nature of the evidence to be given on the present occasion, the Federation have found themselves faced with the following difficulties, besides those referred to elsewhere in this proof, viz.:

- (1) They have no knowledge of the policy contemplated by the Ministry of Transport as to the future ownership, organisation, and management of the railways, matters which it is obvious must seriously affect the questions upon which they are desired to give evidence.
- (2) They have no knowledge of the scheme which the railway companies intend to propose to this Committee for the purpose of raising the additional revenue which they may require. The Federation are of opinion that any evidence which they might give would have been more helpful to the Committee if it could have been expressed in the light of information as to the proposals of the railway companies, and in the absence of such information the Federation may find it necessary to ask the Committee to allow them to tender further evidence when the suggestions of the railway companies have been more fully developed. Of the parties to this inquiry the railway companies naturally are best qualified to sift the available data and to formulate a policy for the consideration of the Committee and the traders, and in the light as matters stand at present it is possible that the salient facts may not be all successfully co-ordinated.

by the general principle, and naturally then you did not realise it, and that is awkward.

3152. In that I agree, but still would you agree that there is not the same objection to fixing the proposed frame work as there is to fixing proposed actual rates?—There is not in theory, but you are speaking to a certain extent of an abstraction. Take one question which has dominated a great deal of the discussion here, the question of uniformity. One used to hear that it was a blessed word Mesopotamia; it is a blessed word uniformity, but I do not know what it means. It is easy to say that you wish uniformity; people say that, but I do not know what it means.

3153. Let us translate it. You would claim that in Class A and B you must maintain exceptional rates?—Yes.

3154. You would not hesitate to claim that?—That is so.

3155. Would you suggest that there were any articles in Class 5 that needed exceptional rates?—I do not know I can answer that question.

3156. You would agree it did not matter to silk an odd shilling or two?—I should have to leave that to the silk merchant.

- (5) The Federation feel that it is extremely difficult to bring forward suggestions at the present time for a permanent scheme, having regard to the present abnormal circumstances resulting from the war, in respect of the inability of the railway companies to deal with all the available traffic, the financial position, and the low value of money.

3158. Is there anything you want to add to that?—(*Mr. Simons:*) Yes. Before you adjourned you mentioned that we were not dealing with figures, that it may be months before there is any suggestion put forward with regard to any recommendation the Committee might make for advances in rates if those advances proved to be necessary. We wish to submit that it is impossible at the present time really to ascertain—and when I say “at the present time” I mean for the next year or two, because we are not likely to get over the abnormal conditions for a few years, and the last of the industries that should be decontrolled are the railways. Any alteration or change in railway rates has a very marked effect upon the iron and steel industry. I do not think that there is any industry which has to sell forward in large values to such a great extent as the iron and steel industry. Contracts are made for a year or for two years, and if we have to continue as we do at present, to provide in our contract clauses protection for any fluctuations that may take place in railway rates, it would be very detrimental to the industry of the country. This goes a little further than you would think; because being a basic industry it supplies all the iron and steel for constructional and other engineers who, in turn, have to contract. We therefore submit that the Government should continue at the present time their guarantee to the railways rather than that any increases should be made which would have a disturbing effect. We want to stabilise the conditions of the trade; we are anxious to do that; and in the meantime every possible economy should be carried out by the Ministry of Transport. I wish to emphasise the point that the stabilisation of the trade is important. If in the near future, when the present demand is over, we cannot quote fixed price and America can, it will tell greatly against the trade of this country.

3159. *Mr. Martin:* Are there not a great many considerations besides railway rates which affect future contracts?—Yes. Those things we can cover, but not railway rates.

3160. Can you cover labour?—No; but we have to take those risks in our contracts, and we do it.

3161. No one can get a forward contract now without stipulations with regard to changes of conditions?—That is so. But we must make an effort to get away from the abnormal conditions existing to-day.

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3162. Your goods go for raw material to other manufacturers; other manufacturers are not prepared to give forward contracts even if the railway rates were fixed?—That is my whole point, they were before the war; and we wish to get to that position again and it is very necessary that we should do so.

3163. My point is that it is not only railway rates?—It did before the war.

3164. *Chairman:* So it did in America, and the railway rates are in chaos now. It is very desirable that everyone should get back to stable conditions?—Yes. My point is that the railway rates have more effect than other things. For instance, we have to convey up to 10 tons of material for one ton of steel, and the last recent alteration of 50 per cent. in railway rates cost our industry about £5,000,000.

3165. What did the rise in wages cost you?—I could not give you that figure at once.

3166. More than £5,000,000?—I am only putting that point of view to show that it is a big figure; whereas we will take the risk of coal, or wages, and other things. We pretty well know what wages are because the bulk of them in the iron and steel industry are based on the price of material.

3167. *Mr. Davis:* You say it is extremely difficult to suggest at the present time what should be the permanent scheme?—Yes.

3168. But why not, in the interregnum (as it were) have a ready reference, an easier way of fixing prices, as between the railway companies and yourselves?—My whole point is that it will disturb trade if we do so; and it is better that the Government should continue their guarantee and enable the trade of the country to be stabilised.

3169. That will take a long time?—Yes, necessarily so. You cannot demobilise railways as you can other industries, because of the effect upon the other industries of the country.

3170. You can put up your prices at any time, can you not, without any reference to the Government at all?—Yes, we have.

3171. You could say by a circular to-night that your prices will be subject to another 10 per cent.?—Yes.

3172. Why should not you consent to reference, or some tribunal, without litigation, and settle matters for the time being—not permanently?—(*Mr. Morton:*) If I may say so, we come to deal with the question of the tribunal shortly.—(*Mr. Simons:*) But to answer your point with regard to our ability to advance the price of steel, we can do that, but we also have to drop the price; the railway companies are guaranteed a minimum rate by Parliament, however.

3173. *Mr. Jepson:* Your point now is that you want to get back to somewhat normal conditions so that you can contract in advance. No one knows, when the coal mines are decoloured, what is going to happen to prices then; when these financial arrangements are come to with the colliery proprietors, what will happen to coal? You are equally in the dark there. It is probably a bigger thing than railway rates?—No, I do not think it is. To a great extent in ordinary trade conditions iron and steel manufacturers own their own collieries, but where they do not they can cover themselves for big contracts, say, for export; they can come to arrangements for the supply of coal for those contracts. But you cannot do that if in six months' time you are faced with a 20 per cent. increase in railway rates which may take away any opportunity of doing any export or home trade. I wish to emphasise that it is the duty of the Government to help to stabilise conditions and not to put on even any temporary increase until we know what the result to the railways will be of the 50 per cent. advance put on in January.—(*Mr. Morton:*) I will now go on with the proof: Scheme (when definite) must be open to traders' criticisms and suggestions. Whatever may be decided upon by the Minister of Transport, after he has received the advice of this Committee, will presumably require to be embodied in some Provisional Order and Act of Parliament, which will be subject to criticism in Committee according to the usual procedure in Parliament. The Federation desire that they should

remain entirely free to represent their views on the definite and concrete scheme as then presented, and that, in their criticism of any Bill which may be ultimately evolved, they should be unprejudiced by anything which they may say or do now with the object of assisting the Committee. Whenever the Minister has settled his policy, and determined the form in which he will submit his proposals to Parliament, the Federation respectfully suggest that full opportunity should be given to all the traders of the country to consider the proposals, and to discuss them with the Minister before the Bill for their confirmation is introduced. The Federation will be pleased to render any assistance in their power to the Ministry in this respect. Whilst indicating that, in their view, these preliminary difficulties lie at the root of the problem, the Federation desire us to say that they welcome the invitation of this Committee to traders interested to express their views now before this Committee comes to a decision, and that they are very anxious to afford to the Committee all the help they can give. The Federation therefore wish us to express the following views on the specific points which have been under discussion. Suggested grouping of railways.—

The Chairman has suggested that for the purposes of this inquiry it shall be assumed that the railways of the country will be divided into some four or five or more different groups; and has desired an expression of opinion as to how on that hypothesis rates within the groups are to be fixed, and how the groups are to be related to each other. We believe that considerable economies may be effected by the grouping of Railways, and are in favour of this principle being adopted; but the assumption we are asked to make leaves several things which are not clear. There might be, for instance, groups for purposes only of organisation and working; or groups created by a complete fusion of the various individual companies; or simply a pooling of traffic and of receipts; or the State might have some interest. The fixing of rates for the groups must, we think, be determined to some extent by their characteristics. While certain economies and improvements in organisation and working might be effected by simple grouping of particular railways on geographical and trade lines, it would be difficult to suggest a scheme of railway rates applicable to those groups, unless it were assumed that they were to be based upon some pooling arrangement. The question as to the extent, if any, to which particular railways should be kept going and paying dividends at the expense of the trade in commercial areas is one which needs careful consideration, and its solution may involve the authorisation of higher rates within certain districts, or the allowance of additional bonus mileage. We appreciate the difficulties in such a case as that of the three railways from Sheffield to London in the way of devising rates which will be practicable from a business and commercial point of view, and at the same time reflect all the niceties of capital cost: higher or lower on-cost charges; volume of traffic; and higher or lower annual cost of working the traffic. Sir George Beharrell, in his evidence, referred to the necessity of considering the adoption of varying scales for the same class of traffic in different parts of the country; and to the grouping of stations for traffic, export rates, continuous mileage, and the shortest routes, and suggested that uniformity might not be possible. Even after making all allowances for such specialities as are referred to by Sir George Beharrell, there will be difficulty in grouping the railways due to the economic and trade conditions operating within groups. I think you asked a question of Mr. Whitehead with reference to the matter of grouping, and, of course, a very important question of principle arises there which is mentioned in this proof—namely, to what extent particular trades are to finance other trades for railway rating purposes, to what extent geographical areas, and parts of areas, are to budget for

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railway purposes, for a surplus revenue sufficiently large to enable them not only to discharge all their own burdens, but the burdens of certain neighbours. If you get to the length of the proposition in connection with railway rating, that it is the duty of people to bear one another's burdens, then, of course, before one can say very much about it one requires to know who you are—that is to say, in what group you are and what are the neighbours whose burdens one has to maintain. Therefore, Sir, with all the will in the world to help you we come to a considerable difficulty. We have suggested here that there might be a necessity for giving higher rates within certain districts on allowances of additional bonus mileage; I think that is as far as we can go. (*Mr. Simons*): There is only a word I would like to interpose there. I agree with Mr. Morton that it is really difficult to express an opinion on this grouping until we know what is meant by grouping. We could not express an opinion as to grouping until we knew what was the extent of it; that we do not care really to see grouping carried to such an extent that it will take away all competition between the main trunk railways.

3174. *Mr. Jepson*: You want competition kept up to some extent between the main trunk railways?—Yes, it would be advantageous; it would be an incentive to good management as well as a reasonable amount of competition amongst the railways. But I differentiate really between grouping and what I would call absorption of small railways which add considerably to the cost of working the traffic.

3175. *Chairman*: You would like to see the smaller railways absorbed?—Yes, where they are joined up with the main trunk lines at both ends, of which there are several instances. It would develop and help the trade of the country if they were absorbed, and that is an economy which might be carried out as quickly as possible. (*Mr. Morton*): Then there comes the troublesome question of maximum rates, and we have headed what we have to say there by saying, "Maximum rates are necessary." The Federation are very strongly of opinion that maximum rates should be continued and that traders should have a full opportunity of criticising the proposed maxima before they become operative. It must be borne in mind that railway companies are public utility companies which have been given by Parliament special powers of expropriation of private property, and with a monopoly of many rights. The tendency of recent times has been to increase and strengthen that monopoly greatly by means of such matters as the acquisition and use of steam vessels and docks or harbours by railway companies, the decrease of competition by canals and between railway companies themselves, and, more recently, of coastal shipping, and the fact, to which reference has already been made, that railway companies now only accept traffic for conveyance by the routes which best suit them. The Federation consider that it would be bad policy at any time, and especially in the present circumstances, to do anything which would weaken the control of Parliament over railway rates and charges or allow railway companies, even with the consent of a tribunal, to make charges in excess of maxima laid down by Parliament. But in the opinion of the Federation one of the principal reasons why Parliament should continue to limit the charges which may be made by railway companies lies in the fact that the retention of limiting or maximum charges will impose a most valuable check upon inefficient and expensive management of railways, and unnecessary capital expenditure. For this reason more particularly the Federation think that the margin between the actual rate and the maximum rate should be a comparatively small one, and that if a railway company desire to exceed their maximum rates they should come back to Parliament for the purpose. They consider that if actual rates are to be fixed now there should be maximum rates about 15 per cent. above the actual rates. Now, Sir, one cannot, of course, avoid the knowledge—sitting as I

have sat here, for some time—one cannot avoid the fact that this question of maximum rates is a controversial one, and so far as we are concerned you understand that our chief submission to this Committee is that, if at all possible, permanent rates should not be fixed now; and in what we say with regard to maximum we more particularly have regard to the question of permanent rates. You have heard evidence from other witnesses, such as Sir Thomas Ratcliffe-Ellis and also Mr. George Mitchell yesterday, to the effect that maximum rates are required, but should not be fixed now. The whole question of what is to be done in the interregnum until you get on to a permanent basis is not of so much importance; but we do agree with these gentlemen that when you are on a permanent basis and if anything of the permanent kind is done there should be maximum charges fixed.

3176. *Mr. Davis*: Will you tell me what is a monopoly?—If you will give me just one moment I will certainly endeavour to do so. We have, of course, elaborated the position that the railway companies are public utility companies whose primary purpose it is to serve the public. For that purpose they are put under certain material restraints and they get certain privileges, but the one is the counterpart, it seems to me, of the other. And there is a monopoly—that is to say, that no railway company is entitled to start and carry for the public unless they have Parliamentary powers; that gives all railway companies with Parliamentary powers a monopoly of the carrying throughout the country.

3177. That is a Parliamentary monopoly—a monopoly dominated by Parliament?—Given by Parliament.

3178. Are there no other monopolies—private monopolies?—In the sense of patents?

3179. In the sense of a combine?—For the purpose of keeping up prices?

3180. A private combine where you buy up everything?—I have not been directing my mind to that side of the matter.

3181. But I am putting that question to you?—I can conceive that in certain circumstances certain people might amalgamate and come to certain agreements which would have a monopolistic tendency.

3182. And they are not subject to Parliament at all?—(*Mr. Simons*): But anyone else can enter into them without the sanction of Parliament, but they cannot in the case of railways.

3183. I understand that. But there are private monopolies more powerful than public monopolies?—(*Mr. Morton*): I appreciate your point, but I do not know how it arises in this particular stage of the inquiry. What I would like to say is this. We have heard that sea competition—

3184. Half a moment. It arises in this way, that if you get a private monopoly it can lose its life without the interference of the Government, but the railway companies are subject to the Government, and the traders can come upon them and prevent them by putting them to legislative changes—you see—and they cannot do a thing which a private monopoly can do. That is my point?—I quite appreciate the point. I was going to say that we have heard here that water competition was—I do not know whether it was dead or had fallen asleep—

3185. *Chairman*: Say dormant?—Yes, dormant—and that the result of the absence of competition of such a kind naturally and logically should be that railway rates should go up.

3186. *Chairman*: That exceptional rates, so far as they are due to competition, should be removed?—Yes; that is to say, the elimination of competition—competition means in certain railway rates. Those rates are affected by the competition. Then you see eliminate the water transport; and then we have had read by Counsel—

3187. *Mr. Jepson*: You say: "Then you see eliminate the water transport." Why? Surely it gives water transport a better opportunity?—I expressed myself badly. We do eliminate the result of rates on water transit; but we had read by

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Counsel yesterday the policy of the Minister of Transport with reference to traffic questions, and it is not only said by him, but it is common knowledge that there is an intention to eliminate all railway competition, or at least to curtail it within very large compass. Naturally, if the logic holds good, the result would be that because of that railway rates also are to be raised.

3188. *Chairman*: I do not know. I think, perhaps, it is the other way. The intention is that they should be lowered. You remember with regard to water competition the removal of exceptional rates where there has been competition has put the railway company in possession of funds which enabled them to lower other rates?—I appreciate that. But for the purpose of developing this particular point all I meant to use the illustration for was this, that the monopoly is being strengthened without doubt by the elimination of competition—the tendency is to strengthen it.

3189. *Mr. Davis*: To which monopoly do you refer now?—To the railway monopoly.

3190. *Mr. Jepson*: I do not follow that a bit. I think it is just the opposite. You say by the reason of exceptional rates which have been kept low because of water competition we are increasing the monopoly of the railway companies. Surely if that course were adopted it is putting it in the power of the coastal services the better to compete with the railways?—That might be so if you raise your rates; you might keep competition alive, you mean to say?

3191. *Yes*?—I agree. But I understood the argument was that whenever water competition become dead, or dormant, that therefore railway companies were entitled to take cognisance of that fact and raise their rates.

3192. *Chairman*: I think that is not quite the way we put it. Sir Norman Hill came here yesterday and said water competition is dormant, and unless you do something it will die in its sleep and never come to life again; therefore, said he, raise the exceptional rate which has been brought about by competition, and give water transport a chance; that would restore the competition of water transport. He went further, and said,—and also never, at a future date, put down railway rates because of water competition. I do not think he got a great deal of sympathy in that suggestion from us. But, at any rate, the earlier part of his proposition, that unless we did put up the exceptional rates we would kill water transport altogether, does tend in the direction—if we adopt it—of maintaining water transport and, therefore, maintaining the competition, although the competition is not at so low rates as it used to be?—I am not meeting this as a proposition by itself. All I mean to say is that if competition is being eliminated, or if the tendency is that way, then the control of Parliament should not be relaxed. And I quite appreciate the check, or force, which a tribunal properly constituted might have upon railway companies desiring improperly to raise rates; but I do think that no tribunal can really go into the question of efficiency of management, and that there are reasons which one sees all over the world just now why the ultimate check on increasing costs should not be maintained. If a Commission, or Committee, had to consider the question of justification of an increase of a railway rate, it seems to me that what they would do would simply be to look at the cost; and one would like, I think, that Parliament should retain the control which they have under the Statutes. The powers came from Parliament. Parliament should not relax the control; and if the cost of working came above a certain point, that you should not have to go merely to the Committee, or Commission, but that you should have to go to Parliament.

3193. *Mr. Davis*: Do you believe in the criticism that whatever the Government does is wrong?—I do not think it is always wrong. (*Mr. Simons*): The same reason that we gave before for deferring as much as possible any alterations in this rate apply

precisely to the importance of fixing maximum rates and having those rates fixed at the proper time in such a way as there should be as little change as possible. I would even go so far as to say a standard rate should be as near the maximum as practicable, as it is most essential to my mind for the stabilisation of the trade of the country that we should know and have these rates fixed for as long a period as possible, allowing that they must be fixed on a basis on which the railways can be worked on an economic basis. 3194. Supposing something happened suddenly and you in the steel trade had to find a big increase, and the Government is responsible for another; should not there be some agency in the meantime ready to adjust and to apply the changed situation?—(*Mr. Morton*): The Minister does so in the meantime, on the advice of this Committee.

3195. But you are arguing that they must wait for you?—No. In the meantime the Minister does, on the advice of this Committee.

3196. *Chairman*: You say that until permanent rates are fixed—which Mr. Whitehead suggested might be three years—the Minister's powers should be continued?—Yes; I think I should go as far as that. (*Mr. Simons*): Exactly. (*Mr. Morton*): I will now read right on. Exceptional rates: This is a matter of especial importance to our industry. These exceptional rates have been arranged with the railway companies on their merits, and for good reasons, and many works have been placed in particular positions in reliance upon their continuance. Trade has been built up upon these rates, and their withdrawal would bring about much loss and disorganisation, more particularly as regards the export trade of the members of the Federation, which is very large. The especial importance to the industry of exceptional rates is shown by the fact that, prior to the war, out of an annual production of, roundly, 7,000,000 tons of finished steel, no less than 5,000,000 tons were exported. The Federation view with alarm the suggestion that these special rates will be wholly or largely abolished, and they suggest that the principle adopted should be to continue the existing special rates, with whatever percentage modifications may be necessary, and not to abolish any such rate unless after special consideration of the particular facts of the case it was found to be fair and reasonable to do so. We hope that an opportunity will be given to us before the remaining stages of this inquiry are reached to meet the railway companies and discuss with them the Chairman's suggested scheme for the institution of scales and trade tariffs and the ultimate abolition of exceptional rates, subject to a right of appeal for reinstatement of the question of tariffs and exceptional rates as applicable to our trade, and also that before that time the railway companies with have more fully indicated the lines upon which they desire the Committee to advise the Minister. Alteration of actual rates: In view of the present unsettled conditions the Federation thinks that the machinery to be devised for alteration of rates should apply as well to their reduction (in the event of railway companies' costs tending downwards) as to their increase, if such costs were shown to have risen, and in this connection they respectfully suggest that the question of the onus of proof of the reasonableness of an increase of rate has not been sufficiently emphasised, although no doubt it is in the minds of the Committee. We have heard what Sir John Simon said this morning. As regards an increase of rate it will probably not be disputed that the onus of showing it to be reasonable should rest upon the railway company. Such increase would be made on their initiative. They alone would know the reasons which seemed to them to justify the charge and possess complete detailed knowledge of all the circumstances of the traffic. For the same reason the Federation think that where application was made by a trader for a decrease of rate, the onus should remain upon the railway company, that is to say, that it should lie upon them to justify the continuance of the rate proposed to be decreased.

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3197. *Sir John Simon*: You have not heard me agree to that?—(*Mr. Morton*.) Not yet, Sir.

Mr. Davis: Do you mean, that is to say, that the railway arrangement should be put on its trial?—That if the trader desires to have a rate decreased he should apply to the tribunal, and the railway company would be then called upon to justify their reasons.

3198. *Chairman*: There might be an intermediate position. The trader might go to the tribunal and say, "Wages have fallen, therefore rates ought to fall." That might be sufficient to satisfy the onus on them unless the railway showed something to the contrary?—Yes, I agree. We know, whatever the difficulty may be on the part of the railway company in getting the rates up, which has been so much spoken of, that it would be absolutely and entirely impossible for the trader to get down these rates.

3199. It depends what is necessary to satisfy the onus. It might be that the tribunal will say, "As soon as you have shown there has been a substantial reduction in cost you have satisfied the onus"; and it would then fall on the railway company to displace what you have done?—I quite see that you have appreciated our point. The Proof goes on to say: In view of the present exceptional prices, it is hoped that the tendency in future may be to enable rates to be reduced, and whilst it may be suggested that on analogy with ordinary litigation it would be normal that a party asking for a rate to be lowered should satisfy the tribunal as to the reason for such a course, in the special and unique circumstances of railway traffic, and the insuperable difficulties which would arise in practice if traders attempted to prove the reasonableness of any particular rate, the Federation suggest that, if allegation is made that an existing rate is too high, and should be reduced, the obligation may quite properly be imposed upon the railway company of justifying its continuance. The Federation desire to point out that the railway company could be sufficiently protected by the powers of the tribunal to order payment of costs if an application for a decrease of rate were found to be unjustified.

Station and service terminals: It is common ground that these should be fixed without reference to the distance over which the traffic passes. In the view of the Federation all three charges, *i.e.*, conveyance, station (or private siding) terminals and service terminals, both maxima and actual should be easily ascertainable from and entered in the rate book. We have repeatedly failed in cases of exceptional rates to get information such as this from the railway companies, who have replied that their maxima were so much, and the difference was for services; but they did not give the difference between the actual rate and the services. Charges have been made for terminals varying with the rates, but we fail to see that the distance of conveyance has anything to do with terminal services or terminal charges. Nature of tribunal: On this point the Federation desire to point out the vastly varying circumstances under which applications may be made for alteration of rates. They view with sympathy the desire of the small traders that some cheaper method should be adopted, and some provision made for dealing with the matters locally, but this aspect of the matter is not one which specially affects the iron and steel industry. For the reasons which have been mentioned the rates applicable to its traffic are of vital

importance to the iron and steel industries, and also to those carrying on industries dependent upon it, and they feel it to be absolutely essential that they should have the right to submit questions relating to these rates and cognate matters to a tribunal of the same high standing as the Railway and Canal Commission, presided over by a Judge with a knowledge of procedure and evidence. Possibly some modifications may be made in the constitution and procedure of the Railway and Canal Commission with the object of securing expedition and a saving of cost. The Federation think it would be a great advantage if the railway member of the Commission had special knowledge of railway accounts, but they consider that the members of the Commission should be a permanent body of an entirely disinterested nature in order that uniformity should be secured in their deliberations, that there should not be varying kinds of decisions in different localities, or decisions varying with the personal views of members of different tribunals.

3200. *Mr. Davis*: You say: "A tribunal of the same high standing as the Railway and Canal Commission." What do you mean by that? Will you develop that point? What high authority equal to the powers of the Railway and Canal Commission do you suggest?—I would suggest the Railway and Canal Commission. We would accept that Commission. As regards minor questions, the Federation is in general agreement with the views expressed in the evidence of Sir T. R. Ellis; but it does not feel their special interests make it necessary to lay stress on the details of a particular scheme of which in all probability its members would not avail themselves. They feel very strongly that, whatever tribunal may be appointed to deal with questions of smaller importance, the right of large industries such as they represent to require any question affecting the industry to be submitted to a tribunal of the nature of the Railway and Canal Commission should be maintained. They also consider that on any matter raising a purely legal point there should continue to be a right of appeal from the Railway and Canal Commission.

3201. *Mr. Rowland Whitehead*: Will you deal with the question Mr. Jepson asked as to whether you would agree to have assessors appointed from panels to assist the tribunal?—Yes. In answer to that question I think our view is rather this. If we deal with the matter from the point of view of a commercial tribunal as opposed to what is called a judicial, or semi-judicial, tribunal, we find that there is really no guarantee of any saving of expense in the commercial tribunal. We find also that there were suggestions that there should be some kind of discretionary power committed, and that people should out of their inner consciousness give certain very wise decisions in different parts of the country. We think that in order to enable the trade of the country to be carried on there must be a co-ordination of principles in all matters relating to decisions between the traders and the railway companies; and, as we have said, we think we should not have men engaged in commerce or railway work. But in answer to your question, so long as there is a lawyer as President, and a railwayman representing permanency on the railway side, and a trader (shall we say) representing permanency, having come originally from the traders' side, it would not be, in my personal opinion, any disadvantage if the railway people added an assessor and the traders added an assessor to that tribunal for the purpose of informing the minds of the tribunal on questions of practical detail. I am naturally speaking for myself without consultation with my constituents, but that is my personal view.

3202. *Mr. Jepson*: It has been suggested that such a tribunal as that might deal with a good many questions of fact which do not involve legal points and save an application to the Railway Commission?—I have seen at the end of one of the day's evidence the elaborate discrimination between the functions of two different tribunals. I do not like such a delimitation

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of frontiers in regard to legal and commercial matters.

3203. *Mr. Martin*: Do you not think it would be a good thing to have more than one trader who would appear in any case that cropped up? Would it not be wise to have a panel of traders so that a man could be chosen for that particular trade?—Personally I would not have any objection to that; but these in a measure are surplage on the constitution of the Court as it shapes itself in our minds. We are relying on a Court like the Railway and Canal Commission, with a judicial element, in origin, but all really acting in accordance with judicial procedure.

3204. But we are dealing now with this suggested Committee being set up which would have cases brought before them which would not necessarily want to go to the Railway Commissioners?—We are not in favour of that.

3205. *Mr. Jepson*: You think it might mean incurring double expense; first going before the intermediate tribunal and afterwards having the whole case argued out before the Railway Commission?—Yes; and also confusion in judgment. Wherever you have people who are entitled to evolve things out of their own inner consciousness, it depends on the varying personality of the Bench.

3206. *Mr. Davis*: Assuming that an independent chairman with legal knowledge is appointed, and that on his right and on his left there are the railway interest and the commercial interest, Mr. Martin asks whether that tribunal so set up could not be assisted by a panel—that is, outside altogether—the members of which would be experts on the particular questions to be submitted. The panel would be formed of, say, 14 persons, and they would be called upon on occasions to deal with particular subjects. Could you not agree to that?—I would prefer not. But so long as the judgment were given by the judge and the two permanent officials, it would not be such a very serious matter if there were assessors who could be referred to on questions of opinion.

3207. *Mr. Jepson*: Would you express your view with regard to local tribunals? It has been suggested that, perhaps, a dozen tribunals in different parts of the country should be appointed to deal with local questions. Do you think that suggestion would really help matters forward?—I think you put it to Mr. Whitehead that these were conciliation boards, and not really tribunals.

3208. Yes.—There is no harm in having conciliation boards if the railway companies and the traders want to set them up; but no authority is necessary to do it.

3209. As a matter of fact, meetings now take place between the Iron and Steel Federation and the railway companies?—Yes. The essence in our view is that it should be voluntary; and I do not think it would be desirable to set up compulsory conciliation machinery between traders and railway companies. If it is a case of appealing to Caesar, they should know the law which Caesar will administer, and they should go there to get it.

3210. *Mr. Davis*: It is not quite like that. Assuming that a matter came up which affected the steel and iron trades in particular, and this tribunal were set up, and we waited expert knowledge from the interests you now represent, why could not a panel, or a portion of it, be selected to give that knowledge?—In so far as they might answer questions addressed to them by this tribunal, they could do no great harm. But we are not in favour of it.

3211. *Mr. Martin*: You represent, of course, a very big industry?—Yes.

3212. And you do not want any interference of any kind at all?—That is so.

3213. But there are thousands of traders all over the country, large and small, who do not belong to associations, and to whom this tribunal might be of very great advantage. If they can personally go before such a Committee and get questions discussed, and agreed to, it would be far better and cheaper and easier than going to the Commission?—For our part we wish to know the law that will be administered, and get it applied.

3214. You are speaking for your own particular industry?—Yes.

3215. *Mr. Jepson*: Supposing we advise the Minister to set up such a tribunal, intermediate between the railway companies and the traders, would you rather that the Committee refrained from suggesting which sort of case should go before that tribunal and which sort of case should go before the Railway Commissioners, so as to leave such a big industry as yours quite free to adopt which they like?—We should be very sorry indeed to be forced in its being decided we were to go in every case before the Railway and Canal Commission.

3216. *Sir John Simon*: May I be allowed to ask, Sir, whether Mr. Morton would make plain this further point? He said, as I followed, that he thinks the judgment should not be including any of the assessors, but should be the judgment of the permanent members of the body. Has he a view to express whether there should be one judgment, or whether there should be three judgments? There are many tribunals where there is one judgment, which is unanimous.

Chairman: That is a very interesting point. Have you any views on that?—(*Mr. Morton*): I know that in Scotland we have one judgment, or "Decree" as we call it. All the Judges give opinions which may not be identical with each other.

3217. *Sir John Simon*: In England we have both?—We have but the one judgment, which is the judgment of the majority.

Chairman: I think what Sir John Simon is asking is whether you would rather that the minority held their tongues and the only expression of opinion, as well as of judgment, was that of the majority.

3218. *Sir John Simon*: That is what I mean. Consider the case, for instance, of a trading member of the tribunal; it may be that he takes possibly one view, and that the Chairman and the other member take another, or *vice versa*. Is it your view that the dissenting member should simply remain incorporated in the body but the judgment is pronounced by the Chairman, or should they all give their different opinions?—(*Mr. Morton*): My personal view is that they should all give their opinions.

3219. *Sir John Simon*: That is what I wanted to know.—I will now continue the proof. Owner's risk and company's risk: The Federation are strongly of opinion that there should be alternative rates at company's risk and owner's risk. In their view it is not necessary or desirable that owner's risk conditions should be in one common form to apply to every kind of traffic. So far as the iron and steel trade is concerned, the two matters of importance in an owner's risk note are the conditions applying to damaged goods, and the conditions applying to loss of goods. With regard to damage, it is willing that in the case of an owner's risk contract the onus should be on the trader to prove negligence on the part of the railway company as a condition of the recovery of damages, but where goods are lost in whole or part, it considers that the railway company should be assumed to be responsible unless they can show that the losses do not arise from their negligence. The conditions of the contract should provide for this. The Federation also consider that 14 days is too short a period for giving notice of claims, and that it should be extended to 28 days. These, however, are matters of detail suitable for fuller discussion in the later stage of the Inquiry. Classification: The Federation understand that this point will be dealt with at a later stage of the Inquiry, but desire to indicate as a matter of principle that, in its opinion, it is absolutely necessary that the number of entries in the classification should be largely increased, and that, in addition to the ordinary classes, provision should be made for trade tariffs. The Federation hope to submit further evidence on this point at a later period. It also thinks that provision should be made for the addition of new Articles to any working classification which may be fixed, and also for alteration in classification, on application to the tribunal either by the railway com-

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panies or the traders.—Maintenance of production: The Federation also consider that in any new permanent system of railway rates it will be impossible to ignore what the traffic will bear, as no good purpose would be served by imposing rates which would drive out of existence any trade or manufacture which it might be to the national interest to maintain. In their view the purely railway factors are not the only elements which ought to be considered in determining whether a railway charge is reasonable. Regard ought also to be had to the effect of a rate upon the trade as a whole, and they submit for the consideration of the Committee that, if necessary, the law might be altered in order to enable any tribunal which adjudicates on any problem of reasonableness of a railway charge to take into consideration trade and business matters.—Full train loads: In regard to this matter we think there should be fixed percentage reductions where the traffic is taken by full train loads, and that the allowance of this fixed percentage should not affect the putting into operation of exceptional rates where it is usual to give them for any particular traffic.

Mr. Simons: I should like to add one word there. I think there should also be some concession where they provide wagons of large capacity which considerably reduce the dead load which the railway companies have to pull. That is very often done to-day without any concession whatever.

3220. *Chairman:* I wonder whether that could be made a matter of agreement with the railway company. It is so difficult to put into a schedule these matters which vary from time to time. If we specify for 20-ton wagons, it might turn out in the future it was some other size?—(*Mr. Simons:* I agree; but with some railways you can get reasonable conditions and with others you cannot.)

Chairman: I see.

Mr. Morton:—Short distance traffic: The Federation consider that this question has not been sufficiently ventilated. It does not wish to be considered as accepting the principle in the Minister's Order for temporary rating in so far as it imposes flat rate and maximum additions to the rates. I have mentioned that already. A large amount of traffic is necessarily carried for short hauls, works having been laid down in close proximity to sources of supply of raw materials. Services rendered at the beginning and end of the haulage are covered by station and service terminals when these are chargeable. Beyond this the operation of the short distance clauses in addition to the application of the cumulative principle enables the railway companies to get a higher relative payment for short distance hauls. The operation of the percentage increases accentuates this difference, causing the relatively high short distance rate, plus the percentage on that relatively high rate, to bear still more heavily upon the short distance traffic. We do not feel able to deal with this question fully at present, but wish to point out that the matter will require careful consideration at a later stage of the inquiry, when the Committee deals with particular rates. For the moment we desire to record our objection to the method or principle adopted in the present temporary scheme.

3221. You are aware that the railway companies say short distance hauls are less remunerative to them?—Yes, we do know that.

Mr. Simons: Would that be so in all cases?—Occasionally that may be with short distance traffic; but where you have districts, and there are many in the iron and steel industry, where you have a very large volume of short distance traffic, I should think it would be quite profitable.

3222. Running very regularly?—Running daily. That would hardly apply in that case I take it?

3223. *Mr. Morton:* There are so many of the changes in connection with railways which are constant and which apply with equal force where the traffic is carried short or long distances?—Quite so.

3224. When the Committee had to deal with the question they had to have regard to that. That was the reason why the whole of the money was not raised by a percentage, because if it had all been

raised by percentage, the long distance traffic would have had to bear a disproportionate share, and therefore a flat addition was made, which was applied to short distance and long distance traffic alike, to help them more properly to share the burden?—Quite so; but I was only dealing with the point that the Chairman raised that short distance traffic is generally looked upon as more costly.

3225. *Mr. Davis:* What you mean is that in some short distances where there are a lot of sidings and so on, the line is always full of traffic all the day and all the days of the week?—Yes, short distances—that is what I mean.

Mr. Martin: Then I come to export and import traffic. The Federation consider this matter is of extreme importance, and that power should be reserved to fix special rates for traffic of this kind where it can be shown that it is in the national interest to do so. With regard to export traffic, the Federation consider that any permanent scheme should provide sufficient elasticity to enable special rates to be brought into operation during any particular periods when they might be necessary or desirable for maintaining home productions, and that, in fixing such rates, due regard should be had to the special circumstances of any particular district, or any particular branch of industry; but they regard it as essential that all such rates should be published in such a manner that the Federation as generally representative of the industry should have full notice of them so as to enable any trader who may be prejudiced to appeal to the Railway Commission or tribunal. With regard to special import rates, for manufactured and semi-manufactured material, the Federation are strongly of opinion that home production has in the past been seriously prejudiced by combined shipping and railway rates which have been in operation, with the result that railway rates have been charged at a much lower rate in respect of goods imported into this country than for home productions. They consider that any preference of this kind should be prohibited, and that very careful consideration should be given to devising some legal or other method of preventing it. That refers to manufactured and semi-manufactured goods. Where a rate covers the sea route and the railway route for imported goods, the respective charges for the sea route and the railway route should always be shown separately in the rate-book, and the charges for the railway route should in no case be less for imported goods than the rate for home traffic. The Federation also consider that where combined rates comprise charges for sea traffic in railway companies' ships, those rates should be subject to appeal to the Railway Commission or tribunal.

3226. *Chairman:* That is rather a hard saying when they are in competition with the foreigner?—(*Mr. Simons:*) We venture to hope that the railway companies will not assist the foreigner to defeat British trade, because such happens in these cases.

3227. I was thinking of the case where the railway company has fixed a rate and carried at that rate to everybody's satisfaction. The foreigner begins competing and cuts freights very heavily. Is not railway company to be entitled to spoil them?—In this case the railway company are giving the foreigner the lower rate to bring the material in.

3228. I was discussing your last paragraph, that the Railway Commission or the tribunal should have the settlement of railway rates. I must necessarily involve a considerable lapse of time. Supposing the foreigner cuts freights against English ships, including English railway ships, would you say that the railway company ought not to respond by lowering their freights?—I do not quite follow. It is not a case of the foreigner here. It is British ships and British railways bringing in goods.

3229. Your paragraph is: "The Federation also consider that where combined rates comprise charge for sea traffic in railway companies' ships"—In British railway companies' ships.

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3230. Quite so: "These rates should be subject to appeal to the Railway Commission or tribunal." Supposing the railway company had fixed a rate which gave satisfaction to everybody?—A sea freight?

3231. Yes, and included that in the combined rate and set it out in its rate book and everything was satisfactory?—Yes.

3232. The foreigner is presumably carrying at the same rate?—Carrying by sea at the same freight?

3233. Yes. The foreigner wants to take away the trade from the British company by cutting its freight?—Yes.

3234. Is not the railway company to be entitled to respond? Is it to wait until it has gone to the Railway and Canal Commission?—Is not the railway company to be entitled to cut the sea freight, do you mean?

3235. Yes?—Not if it is to the detriment of the British trade.

3236. But is it to the detriment of the British trade?—There is a fiscal argument which comes into that point.

3237. The home manufacturer would not gain, because we have already got the rate disintegrated. Therefore, the foreign manufacturer would import in a foreign ship and send it forward by the British railway?—But in the case we are bringing before you, they did not do that, but the British railway companies' ships gave a lower rate to the foreigner. It was not a question of export.

3238. The question is whether your remedy is quite fair?—You would not enter into an argument at the present time with me on that. It is a difficult question. What we want to bring before you is a case where they are in competition, and the British railways were giving a lower rate to the foreigner than to the British trader.

3239. *Mr. Martin*: They were doing it for other goods besides yours.—This was a question of sea freight competition.

3240. Sea freight and railway freight combined into an inland town?—It is not a case such as suggested by *Mr. Jepson* some time ago, where they wanted to develop one port, and to get the benefit of the trade of the port they gave a lower rate.

3241. You as traders have the grievance that the railway companies did give a combined through sea and railway freight which was less than they carried to their own port iron goods from abroad?—That is so.

Cross-examined by *Mr. BALFOUR BROWNE*

3250. *Mr. Morton*, I should like to ask you a few questions. I see in the letter you sent to the Ministry of Transport you say: "The iron and steel trades find themselves in close agreement with their colleagues of the Federation of British Industries on most of the points on which their opinion has been invited."—Yes.

3251. Then you put in a saving clause with regard to the tribunal?—That is so.

3252. I also see from a meeting which is reported on Saturday, May 1st, of your Association—I dare say you were present—the report says: "The following letter has been sent to the Ministry." It is only an extract from the letter quoted again?—Yes.

3253. "That they were entirely in harmony with the views of the Federation of British Industries." Did you hear what my learned friend *Mr. Whitehead* said to-day?—About what point?

3254. Did you hear him?—Yes.

3255. Are you still under the impression that you are taking exactly the same ground as the Federation of British Industries?—Well, the Federation of British Industries has taken very large ground. I am not just exactly sure whether the whole position of the Federation, as it has been developed before this tribunal, was really, even in embryo, in the minds of the Federation at the time when the respective letters were sent.

3256. You quite understand that with regard to a great number of things that are in your proof we are in agreement. For instance, "maximum rates

3242. *Mr. Jepson*: The traders are protected by statute from the companies preferring foreign goods to home produce?—Yes.

3243. I want to ask you one general question before *Mr. Balfour Browne* cross-examines you. It is your intention to bring about, so far as is practicable, uniformity?—Yes.

3244. During the last few days questions have arisen with regard to rates which have been included in statutes in respect of particular industries. I think the iron and steel industry has been specially favoured in that respect. For instance, when one railway company has taken over a smaller railway, which had the iron industry connected with it, those rates charged by the smaller railway company have been continued perhaps 50 or 60 years, and are still in operation, subject to the percentage additions which took place in January. Do you consider now that circumstances have so much varied that, when we are trying to bring things more to a standard, those old rates should be continued, because they happened to be in the statute?—Well, the reasons may still exist to-day for giving those low rates.

3245. Supposing the amalgamation had never taken place, and the company which originally gave those rates had to live, as it would have to live, it could not now have lived at those rates, having regard to the changed conditions?—Yes.

3246. Do you not think the railway companies now are entitled to take that into consideration and bring the rates up to the proper level?—Yes, I think we must admit that there is considerable force in your point.

3247. I thought I would raise that point, because the question was raised as to whether statutory rates of that nature should be continued *ad infinitum*.—Yes. (*Mr. Morton*): In reality it is tearing up a scrap of paper.

3248. I know, but would it be unreasonable to take into consideration the fact that if the original company which had granted those rates were still in existence it would no longer be in existence, because the company could not have lived on them?—I quite appreciate your argument. (*Mr. Simons*): You cannot get away from that. (*Mr. Morton*): I do not know whether it is a question of ethics or commerce.

3249. It is a very practical question.—On ethics, you cannot tear up a scrap of paper.

Mr. Jepson: I only wanted your view.

are necessary"; that is upon page 7. I leave out exceptional rates just now. "Alteration of actual rates." "Station and terminal charges," to be stated separately. "Nature of tribunal." There we differ?—Yes.

3257. With regard to classification and owner's risk and full train loads and short distances we agree?—In many respects we are in entire agreement with you.

3258. Now we come to the real question where we principally differ. It seems to be your impression, first of all, that this inquiry is altogether premature?—In so far as it is an inquiry for the purpose of fixing a permanent basis of rating, yes.

3259. Let me see what the proposal of my friend, *Mr. Whitehead*, was. He said that there should be a temporary fixing of rates for the next three years?—Yes. There is a temporary fixing of rates at the present moment.

3260. No, there is no temporary fixing of rates. The Minister of Transport has, on the advice of this Committee, raised rates up to a certain pitch?—Yes.

3261. But he can by the advice of this Committee raise it again indefinitely?—Yes.

3262. You know, I dare say, that the rates fixed on 15th January were rates to meet a deficit of £50,000,000?—That is so.

3263. You know, I dare say, that the claims of labour at the present time are to increase the wages for labour £25,000,000 more?—Yes.

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3264. What would 15 per cent. be towards that? That is my learned friend's limit?—I do not think you have perhaps quite followed the way in which I put it in my evidence.

3265. I am sorry if I did not?—I said that, so far as regards maximum rates, what we are apprehensive about was lest permanent rates should be fixed, without maxima.

3266. I quite agree with that?—But that in the meantime, so far as regards the temporary means of getting over the difficulty, in the abnormal circumstances, there is not the same necessity for dealing with maximum rates.

3267. I did not, perhaps, quite catch what you said, but I did hear what my learned friend said, and he said that there should be fixed for the next three years a temporary maximum 15 per cent. above the present rates. If that were the case and you got this Committee to advise the Minister to do that, you would be taking away the power which Parliament gave the Minister in last Session?—That is so.

3268. Do you think it a helpful thing to ask the Minister to take advice from his own Committee that he should commit suicide?—Not a hopeful thing—no, not as things are.

3269. Does not that seem absolutely absurd. This Committee is appointed, as I understand it—I am only speaking as to the first part of the inquiry—to find out the principle upon which rates should be fixed. That can be done, surely, now?—Yes.

3270. The principle?—Well, what I have said with regard to the maxima is this—if the permanent rates are fixed now there should be maxima.

3271. Certainly, we are agreed about that.—There should be maxima, and if permanent rates are not fixed until a somewhat later period, then the maxima are not so essential just now under the abnormal circumstances. I should leave matters with the Ministry of Transport under the Transport Act, and even, so far as I am personally concerned, would advocate an extension of the period of time.

3272. In your own proof you say: "The power of the Minister exists for three years practically"?—That is so.

3273. During that time, what you were proposing to do was to have a maximum and to refer the matter, if there was any reason, to the Railway Commission, and put the Railway Commission above the Ministry of Transport. Is that sensible?—I do not think, if permanent rates are not fixed now, that there should be maxima fixed now.

3274. There should not be a maximum?—I am quite prepared to leave the matter for a short period of years in the way in which it stands now, with the powers of the Transport Minister.

3275. For a short period of years Parliament has already limited that it must be left in the hands of the Minister?—Or in the alternative, if permanent rates are fixed now, that there should be a time limit put upon those of three years.

3276. I take it you understand that the Minister has not only regard to his own term of office for three years, but is looking to the future?—Yes.

3277. It is quite competent for this tribunal to advise him, not only as to how he is to exercise his power in the meantime, but to advise on the basis of rates for the future?—It is competent for this Committee to tender advice to the Minister on any subject on which the Minister asks it.

3278. Only upon those that he asks?—Yes.

3279. Take, for instance, one illustration. The railway companies claim that after costs, charges

and expenses of conducting the traffic are allowed, there should be some consideration for the capital expended. Do you follow that?—I do.

3280. We are not quarrelling with that proposition, but you in your own memorandum pointed out a very important qualification to that claim. They are claiming not only that they should have a return of capital, but the amount that is to be allowed in rates should enable them to raise further capital. You dissent from that?—Yes.

3281. The Chairman asked you some questions, and he may have covered this ground, and if so I apologise?—He has.

3282. *Chairman*: I thought you assented that the terms should be such as that they would be able to raise further capital?—(*Mr. Simons*): Yes, we did. (*Mr. Morton*): The Chairman said no one ever suggested that the railway companies should be allowed to use their charges to enable them to pay capital charges out of revenue. That is the Chairman's point.

3283. *Mr. Balfour Browne*: That really meets the point I had in my mind?—(*Mr. Simons*): I quite agree.

3284. So that you are really in that answer to the Chairman and in your Proof dealing with a principle upon which rates are to be fixed?—(*Mr. Morton*): Yes.

3285. Supposing it is possible to find out the costs, charges and expenses of conducting traffic and also finding out a reasonable amount as a return on capital, would not that be a proper basis for railway rates?—You mean to-day?

3286. Take it at any time.—Permanently fixed to-day?

3287. Yes.—But matters are so fluctuating. 3288. I know; but if the circumstances remained the same, would not that be a proper basis, costs, charges and expenses and a fair return on capital?—If matters had returned into a stable equilibrium, I do not think there would be very much difficulty in getting the railway companies' accounts, examining them and looking at the economies and looking at the cost of working and what the traffic will bear, and devising a scheme; but not now.

3289. It means stability; but supposing there is instability, and supposing at any time the costs, charges and expenses increased by another £50,000,000, your point on that is that that should not be done by the tribunal, but should be done by Parliament?—You are speaking after the rates have been made permanent?

3290. I am dealing with after the rates have been made permanent.—Whenever the maximum will be fixed?

3291. Yes.—In the fixing of maximum rates, I have no objection whatever to the effective rates being fixed.

3292. I follow that.—I do not mind the effective rates being fixed, but I wish the presence of a maximum above those effective rates.

3293. I understand you go further and say, Supposing a fair maximum is fixed to-day, circumstances may occur which makes that maximum unjust, and that ought to be altered only by the Imperial Parliament?—I cannot think of fixing maximum or effective rates really to-day.

3294. I know your point—that this is altogether premature?—Quite.

3295. I do not think that I want to ask you anything more.—Thank you.

Cross-examined by SIR JOHN SIMON.

Sir John Simon: There are one or two points which I might put to Mr. Morton and Mr. Simons now. I shall not attempt to cover all the ground which Mr. Morton has most clearly dealt with, but it may be convenient to take advantage of the presence of these two gentlemen to get clear what the actual

situation now is in such a branch of traffic as is covered by the iron and steel list. It is a good thing to get down to some practical things.

Chairman: Certainly.

3296. *Sir John Simon*: I should be right in saying, should not I, that the iron and steel list is a list of

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a great number of articles, some of them in Class B and some of them in Class C, and, I think, a limited number in Class 1; is not that so?—(Mr. Simons): Yes.

3297. If you look at page 107 about the letter "I" you will see the iron and steel begins there. It includes a number of things which in point of statutory classification are in different classes. If you will turn on in the book to page 228, the page which is headed "Application of Exceptional Rates," you see "Exceptional rates noted for any of the following generic terms apply to the list of articles mentioned thereunder." And if you turn over to the next page, "Iron and steel" simply gives you a reference back to the detailed list on the earlier page. That is right, is not it?—Yes.

3298. Is not the result therefore this, that the exceptional rates which railway companies quote for the iron and steel list will be, say, as between point A and point B, entered in the book at such and such a figure for iron and steel list, class B, such and such another figure for iron and steel list, class C, such and such a figure for iron and steel list, class 1?—Yes.

3299. It may, and probably will, contain other terms, or it may do so much as for example 4-ton lots in class C, but those are only additional conditions. That is right, is not it?—That is right.

3300. Therefore, if one were to take in class 1, the great enterprises represented by this Federation, and if one were to take the rate book, assuming exceptional rates were entered, one would find, as I follow, a charge of an exceptional rate for, let us say, bars, and since bars are in class B, that would be the exceptional rate for class B?—Yes.

3301. On the other hand, there would be another charge for axles, and that would be iron and steel, class C, the same as class 1. That is the situation to-day?—That is the situation to-day.

3302. I have had it taken out for me. You will tell me if it is a fair example. I want to see, as between Birmingham and Leeds, for example, in the case of pig iron, exceptional rate, iron and steel, Class C exceptional rate, and the iron and steel, Class 1, what the exceptional rate would be. Pig iron is Class B. It is interesting to see what is the variation as between the normal rate, the class rate and the exceptional rate in the book. One gets an idea as to how far uniformity is possible, and perhaps desirable. If I take pig iron first, which is in Class B, iron and steel list, when the order of this Committee last January added 40 per cent., plus a flat rate of 3d. a ton, it did that equally to the class rate and to the exceptional rate?—Yes.

3303. So that the two things have been increased almost in the same proportion, subject to this 3d. which interferes with the percentages?—Yes.

3304. I find if I take it as it stands to-day, pig iron, Class B, the normal rate as it would be charged to-day, with the addition of the 40 per cent. and 3d. is 13s. 4d., whereas the exceptional rate as it is actually charged to-day again with the same percentage added is 8s. 3d. That, I think, means that the normal rate has been reduced 38 per cent.?—Yes.

3305. Then if I take iron and steel, Class C, I am right that, so far as the class rates are concerned, Class C is for two tons and upwards; is that right?—I think so.

3306. On the other hand, when an exceptional rate is quoted for an article that is in Class C, very often the condition is added, "If you will send four tons you will get a cheaper rate than if you only sent two tons"?—Yes.

Mr. Balfour Browne: Between the same points. Sir John Simon: Between the same points. It is an advantage if you send a larger quantity.

Mr. Balfour Browne: I follow.

3307. Sir John Simon: Iron and steel, Class C, normal rate, which is got at by adding under the Committee's order 50 per cent. and a flat rate of 6d. to what it was, is 23s. 9d.?—Yes.

3308. The corresponding exceptional rate, if you send the two tons, is 12s. 6d.?—Yes.

3309. If, however, you send four tons the exceptional rate would be 11s. 3d.?—Yes.

3310. That is to say, 23s. 9d. as compared with 12s. 2d. means a reduction of 49 per cent.?—Yes.

3311. As to the 11s. 3d., it is a bigger reduction; it is 53 per cent.?—Yes.

3312. Taking my last figure in the ordinary classification class 1, that has a carted and delivered charge?—Yes.

3313. Is the exceptional rate which is quoted for in the iron and steel list class 1, a station to station quotation?—Very often—generally so.

3314. So I have to reduce the class charge by taking out the cartage charged at each end. Doing that, so as to compare like with like, I find that the class 1 station to station would be 31s. 11d., and on that I have added 60 per cent. and 1s., as the Order of January required. The corresponding exceptional rate, providing you send two tons, is 14s. 9d.?—Yes.

3315. That, I think, is a reduction of 54 per cent.?—Yes.

Sir John Simon: I think it might be convenient to give you these figures now.

Chairman: Yes, it gives one an idea of what the exceptional rates are.

Sir John Simon: It may be that I can save space and add to clearness if I hand this in to the shorthand writer, and he would just print it in tabular form.

Chairman: It would be very convenient.

3316. Sir John Simon: It is subject to checking and correction. From your experience, would you regard those as fair examples? We tried to take fair ones, but we have only been able to take one or two. —That I could not answer without of course comparing them, but I have very little doubt they are.

3317. We will have some more checked to see if they compare with it?—Yes.

3318. I want to point out two things to you. Do you, first of all, notice, if we may take these as fair examples, the effect of adding, under the Order of last January, 40 per cent., or 50 per cent., or 60 per cent., as the case may be, has been to bring the actual charge now made as the exceptional rate above what was formerly charged as the class rate?—Yes.

Sir John Simon: It follows because the percentages are on the other side.

Chairman: I see that.

3319. Sir John Simon: Assuming the class rate was as it ordinarily is, a statutory class rate, it follows that the exceptional rates that are now being paid in the iron and steel list are in many cases above or up to the statutory maximum, although they are exceptional?—No doubt.

3320. That is one thing I want you to notice, and the other thing I want you to notice is this, and I should also like to know what Mr. Morton thinks about it. If we tried to put the iron and steel list into a scientific tariff, no doubt you would get more precise uniformity and proportion; but I suppose it will mean, in some cases, the exceptional rate will be found to be disproportionately raised from what it is now, and in other cases it will be disproportionately lower. You cannot get uniformity except by levelling up or levelling down?—That is so.

3321. I should like to know whether the iron and steel industry would think, on the whole, it would be a good thing to do that. I understand your view is that it is better to keep existing disproportions and deal with the matter by the addition or subtraction of the necessary percentages on things as they are?—(Mr. Morton): Well, you are giving us a rather difficult question to answer off-hand. I have not considered it.

3322. It is a point of principle?—I am afraid I cannot reply to your question, Sir John.

3323. You see what I mean?—I do. As a matter of fact, if you have got a standard boot and the foot does not fit, it has to be squeezed in to a certain extent.

3324. I am anxious to get your help and I think the Committee would also wish to know about it. It is quite possible to take various exceptional rates and squeeze them up or raise them so that we really do get them in strict mathematical proportion?—Yes.

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[Continued.]

3325. The result, no doubt, would be to get some uniformity; but, of course, it will necessarily mean that some people will get off something which they would otherwise pay, and other people would be asked to pay rather more?—You quite appreciate the difficulty I am in as a representative witness, in answering a question of that kind.

3326. I am sure you will give us all the help you can?—The difficulty is one that we may not find it easy to remove even at a later date; but we must apply our minds to it and endeavour to help you.

3327. I want to be quite frank about it without arguing any case. What has struck me is it will be necessary to consider whether exceptional rates at present may not be a little disproportionate, because by the common consent of the trading community, the trader who is in a position of disadvantage to compete really is getting perhaps a little help from the railway company that the trader in a very good position to compete is not necessarily enjoying?—Our difficulty is we would very much like to see the trade scales and see how they hit us. That is frankly the position. We have difficulty in helping until we can see how the trade scale can be worked.

3328. Do not you think it will be easier to help before any individual trader knows how it will hit him? They will never agree afterwards?—One does not like to put one's head into a noose.

3329. May I point out a reason why I am putting it to you. On the last page but one of your proof, you make a statement, the good sense of which will appeal to everybody, under the paragraph: "Maintenance and Production." "The Federation also consider that in any new permanent system of railway rates, it will be impossible to ignore what the traffic will bear, as no good purpose would be served by imposing rates which would drive out of existence any trade or manufacture which it might be to the national interest to maintain." When the question is asked as regards the exceptional rate as to what the traffic will bear, we must not overlook that perhaps the function of the railway companies is to help the manufacturer, as far as possible, to annihilate or minimise distance?—That is so.

Mr. Simons: We agree with that, and we think that a good many of these exceptional rates have been, as admitted by you, built up from years of experience. I can conceive, in the case of some of these low-grade materials, it should not be looked upon from the railway point of view, but from the industry as a whole.

3330. What I want you gentlemen to consider is whether you want exceptional rates to be dealt out to you by the yard, because we will sell them to you by the yard, or whether you think there is any objection to that method?—In general, I should say that exceptional rates, as they now exist, meet the existing conditions of the trade.

3331. That is your own view?—That is my own view; but it is, as Mr. Morton pointed out, a matter that requires a very close investigation. (Mr. Morton: Mr. Whitehead will have instructions to deal with that.)

3332. Sir John Simon: You will excuse my raising it, but it is very important?—(Mr. Simons): I am very glad you have raised it.

Mr. Martin: The difference between exceptional rates and class rates applies to other things. There are many cases in which the exceptional rates are not so low as the class rate, if you take off a proper proportion for carriage and that sort of thing. There are many cases of that kind.

Sir John Simon: I can well imagine that there are.

3333. Mr. Martin: The trader picks out the rate which is the best for himself?—May I just finish my answer? I was going to observe that the rate should be imposed in such a way as to help bring about the lowest cost of production. It may be that some of the articles are carried at very low exceptional rates, but if you take the rate on the whole industry, on the whole of the material conveyed, it should be such as to give the railway company an adequate return. That is the point I want to emphasise.

3334. Sir John Simon: May I point out next that what I have been asking you, upon which you would like to reserve your view, has nothing to do with the proposal that we should sweep out of the rate book this great dead forest of unused exceptional rates, clear out the dead wood? You agree in any case that ought to be done?—(Mr. Morton): By applying your mind to it and seeing they are dead. It would be awkward if they lived.

3335. Simplification so long as it consisted in getting out rates which are not working rates is to the advantage of everybody?—If thoroughly dead.

3336. We must decide how long they have to lie without motion before they are dead. You have said that in the past it has been found a very difficult thing for the trader to get the railway company to reduce the rate which the railway company up to that time had been charging?—That is so.

3337. That is so from your experience?—Yes.

3338. You appreciate, at any rate, one of the reasons why that is so, do not you? It is not mere greed or even ignorance or malice. There is another reason?—You mean that the rates should not be reduced.

3339. Not at all. Do not you know that there are many cases in which a railway company might be disposed to agree that as things are the rate could be lowered a bit, but if it begins to lower the rate, as the law stands at present, it can never raise that charge again, unless it is prepared to take upon itself what may be a very serious and elaborate burden of proof?—Sir Thomas Ellis, as you know, gave evidence to the effect that if a railway company reduced a rate in order to meet the traffic and thereafter desired again to raise it, they should not be subjected to the same onus.

3340. You appreciate the possible difficulty which faces them at present?—Yes.

3341. We are all trying to help one another, I assure you from the point of view of a railway counsel, that it is a constant difficulty because if you advise that something can be safely done, you must do it knowing that you may be throwing on the railway company a terrible burden if afterwards they found the experiment was not justified?—Yes.

3342. That was due to the fact that the trading community of this country had their great triumph in the Act of 1894?—That is so.

3343. Perhaps it has not turned out such a blessing for the trading community as they sometimes think?—One does not know.

3344. It certainly has kept plenty of rates up that might have come down?—And the other way too, probably.

3345. I am not sure. I wanted that point to be in your mind. You would agree as a fair man that it is a point that must be remembered?—It is a point that must be kept before us. It is a double-edged sword; it might operate in two ways.

3346. You say that you think, at any rate, if the Committee executed its proposed function of trying to settle the scheme of rates now above the rates which they would recommend as reasonable, there ought to be statutory maxima?—Yes, if permanent rates are fixed.

3347. On that assumption?—Yes.

3348. You realise, I have already pointed it out, that that certainly will mean creating an entirely new statutory maximum because we have overrun the old statutory maxima?—I mean a percentage.

3349. I am afraid I cannot follow why. Why do you think that 15 per cent., as I see you say, would be a proper measure to reach this ceiling through which nobody must pass, any more than 10 or 20?—If you said 50 then, of course, it would just emphasise my point. This is not the time to fix these things at all.

3350. I think if you said 50 it would emphasise my point that statutory maxima are quite inconsistent with reducing, to let a railway company charge more than something less?—I quite appreciate that, but our point is that there should not be permanent rates fixed now at all.

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3351. That is rather a separate point. If you have any further reason to give I want to follow it. Is it in your view consistent with the notion that a railway company must only charge what upon investigation is decided to be the reasonable charge, and to say at the same time, You shall have a statutory maximum about that? What is the object of that?—In order to conduce to economy of working. (Mr. Simons): Not only that.

3352. Do you think that it would conduce to economy of working in the iron and steel industry if anybody could sell any of their products for more than a particular price?—(Mr. Morton): They would either have to manufacture cheaper or go out of existence, but you are dealing with a public utility company under Parliamentary powers.

3353. Do you notice this? It very often happens when a railway company goes to the burden of proving that it is justified in adding, say, 4 per cent., or some other percentage, to rates, that it cannot apply this desirable principle of uniformity because it adds the percentage to this rate, and this rate and that rate, and when it adds to another one it finds itself knocking its head against the ceiling. Surely that is not reasonable?—What we contend for is if rates are fixed now, effective rates should be fixed at what are considered to be their appropriate figure at the present time with a certain percentage. We are not wedded to 15 per cent. as a maximum.

3354. That is as a kind of precaution?—Yes. We rather like the symbol of maximum rates being there; we do not wish them to disappear even temporarily.

3355. You speak of it not being desirable to fix permanent rates, but, forgive me, there cannot be such things as permanent rates, of course?—If you have a tribunal like this which says that it is making a preliminary inquiry for the purpose of laying down the bones of an Act of Parliament and they fix an effective rate or rates, embody these in an Act of Parliament which comes into force and has the force of law, I would say these are permanent rates.

3356. That is what we mean?—That is what I mean, otherwise there is the moving up and down after these rates have once been fixed; but my view is that where you have a new starting-off place in a new Act of Parliament such as we had in 1891-92 these are permanent rates, only they have got elasticity by going to the tribunal.

3357. Mr. Davis: You mean permanent rates, in a transitory state?—With machinery for putting them up or down.

3358. Sir John Simon: It is this, you think, although something might now be done as a temporary expedient, nothing should be done which, unless it was altered, would continue indefinitely?—Yes, that is so.

3359. That is your real point?—Yes.

3360. You quite agree that the railway companies ought to be put as soon as possible in a position where their financial security and stability are established?—Yes, I do.

3361. For one thing you say that the Government has got to settle up its accounts with the railway companies and it could hardly do that until it is known where the railway companies will stand?—I wish to see the Government policy at once.

3362. You agree that railway companies must of course develop and get new capital for that purpose where necessary?—Yes.

3363. They cannot do that of course unless financial stability and security are established and known?—Therefore the policy should be formulated and disclosed.

3364. Do not you think that to announce at this time that the basis upon which the railway revenue is to be ascertained must not be laid down, but that it must be all a mere temporary expedient and these things be postponed, is the worst thing in the world for re-establishing the financial position of railway companies?—You say that it is a bad thing to keep this state of flux going any longer. With

that I entirely agree, but your remedy is notwithstanding the difficulties, what in our view are the impossibilities of giving an effective decision of the problem, a decision good or bad should be come to because we are pressed. What I say is that the Minister should disclose his policy regarding the railways of the country at once, and you would then get an infinitely greater degree of stability than you could possibly get if rates, however permanent they were called, were fixed now, because of the knowledge at the back of everyone's mind that the whole fabric laid down to-day would have to be reconsidered and rediscussed and redecided upon when the question of nationalisation, grouping in different districts and economics were counterbalanced.

3365. I should like to put this to you, and I put it to you quite seriously, there is no misunderstanding between us, I am sure. The railway companies are not asking that their charges on revenue account should be such as to enable them to pay for capital expenditure out of current earnings?—I quite agree.

3366. Do not let there be any misunderstanding; what they are asking is that the sum total of what is done before this Committee should be such as to secure that there will be a proper return, so that the further capital which they used may fairly be expected to be provided?—In some way by the intersection of a new start in front of the old.

3367. I do not say how; but obviously a railway company that goes to the public now and asks the public to subscribe more capital is not able to show the public that it either has now or has any prospect of enjoying a business which pays its way?—I take it you do not wish that the ordinary shareholders should get more than they have been getting.

3368. I do not know about that. Perhaps you will tell me this: in your own experience, what is the kind of rate per cent. which it is necessary to offer in order to get new capital for a great British enterprise?—One, of course, sees very attractive prospectuses just now offering great rates of interest.

3369. I am not asking for a great rate of interest?—(Mr. Simons): It varies with the security.

3370. No doubt the better we can make the security the cheaper the future development?—(Mr. Morton): That is so. The rate is very high just now.

Chairman: I notice both the Federation of British Industries and the Associated Chambers of Commerce, interviewing the Chancellor of the Exchequer, pointed out to him that the 9 per cent. which is allowed before you estimate excess profits is not enough to bring you money.

3371. Sir John Simon: No, they are all starving. I do not know whether either of you gentlemen have a view as to whether the appropriate attitude would be that up to a certain limit the railway revenue or profits should be guaranteed by the State, because that makes a great difference?—(Mr. Simons) We have, we put that view forward, for the time being the guarantee should continue until we get into a normal condition.

3372. I am not talking about a subsidy. I quite realise that, of course, if a private industrial enterprise goes to the public and asks for money the public has to face that the enterprise may fail or have the greatest success, there is no guaranteed dividend?—(Mr. Morton) We have not considered the question of a State guarantee.

Mr. Simons: I take it that you meant temporarily?

3373. No.—I should not suggest it otherwise.

3374. You say that you think the time is not a good time for trying to lay down these principles, but is it not your experience that just at present the fixing upon industry of an additional charge is a thing which industry absorbs and no doubt passes on in the form of price in a way which is remarkable as compared with ordinary times?—(Mr. Morton) Do you suggest that that is an advantage?

3375. I do not say that it is an advantage, but it is an opportunity?—That is to say, to get industry to swallow the pill.

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3376. If there had been the same sudden increase in wages in your industry as has occurred in the last two or three years, in the piping times of 1913, your industry might have suffered a mortal blow?—Yes, but, of course, there are many things that could be apparently absorbed at the present time which, if they are light-heartedly taken into the system, will cause an enormous amount of trouble when we come to bad times, and I do not really think that it is an argument for dealing with the matter just now, that you may absorb into your system something of a vicious nature which may hurt you again. You might not know it, but the injury would be done. I do not think that is a sound way in which to deal with it.

3377. Perhaps I may apply the analogy, it would follow that it would be a most dangerous thing to continue indefinitely and without any certainty as to when it would end permanently mal-nutrition and under-nutrition of the railway companies?—I agree. The remedy is that the Minister should declare his policy.

Sir John Simon: Anyhow, we want a square meal now, you know.

Chairman: Have you any other witness, Mr. Whitehead?

Mr. Rowland Whitehead: No, that is all our case.

Chairman: Is there anything you wish to add?

Mr. Rowland Whitehead: No, I do not wish to add anything.

Mr. Clements: Sir, the Mansion House Association of Railway and Canal Traffic is sufficiently well known to render it unnecessary to describe it at any great length, but I ought to say that they are a body of manufacturing traders of all descriptions, including agriculturists, which was formed in 1889 to take part in that Enquiry of which you have heard a great deal, and that they did take part throughout the whole of the Board of Trade Enquiry, and the Parliamentary Enquiry which followed it. They, together with the Lancashire and Cheshire Conference represented the great bulk of the traders, and they have continued to act on behalf of the traders since that date with regard to the legislation which has taken place from time to time, and generally with regard to matters affecting railway and canal traffic. So that I think they are a body possessing considerable experience. I might add, as a matter of interest, that they have had the honour to include amongst the members of their Executive two members of your Committee. The Association desire to assist this Committee as far as they are able to, but they are fully conscious of the difficulties which have been pointed out from time to time, and I do not propose to repeat them. Those difficulties considerably limit the assistance which they can give. It is not from want of will if they give you less assistance than you think you ought to have from them. First let me say that they think they might assist you in the first instance by saving your time, and with that object in view it is not proposed to tender any evidence before this Committee. Their representation at this stage of the enquiry will be confined to the short statement which I am making. You have had the letter addressed by the Association to the Minister of Transport before you, and, of course, it is unnecessary for me to go through that. On most of the larger points that letter accords with the letter which was addressed to the Minister by the Federation of British Industries, and it has occurred to the Association that, as any evidence taken by them in support of those representations would necessarily involve a good deal of repetition, they will refrain from giving it, although there are some points which they would have liked to put before you. Whilst saying that, I should just like to emphasise a little one or two matters which have been discussed to-day, one is the question of retaining maximum rates. Upon that point, as appears in the letters to which I have referred, the Association attach great importance to the retention

of maximum rates, and for the reasons which have already been stated, if I may be allowed to adopt them, by Mr. Whitehead and by others who preceded him. I think there is one little argument which has not been brought to your attention; that is, that the value of maximum rates may lie in this, apart from the other reasons which have been advanced, that the very fact that a railway company might have to go to Parliament and to ask for an enlargement of its maxima would tend to make it follow a wise line of management and pursue economy. I think that is an important point. There is another point affecting the same question, one upon which I think you laid some stress, that was the expense of going before Parliament. I would venture with great respect to suggest there that the expense would depend to a large extent upon whether the legislature was effected by a private Bill or a general Bill. You would agree that there would be a considerable difference between those two courses of procedure. In conclusion, on that particular point I feel this danger so far as the procedure at the enquiry has gone. It seems to me that we are in danger or, rather I should say, that the Committee may be in danger of sanctioning proposals which would enable the railway companies readily to increase their rates whenever their expenses increased. I would like respectfully to ask the Committee to consider that matter very closely, because it is difficult to see what the end would be. We should be pursuing I am afraid in that respect the present unhappy state of affairs, the continual rise in price. There I venture to make that submission, that you will give that matter very close attention. Now I am not quite sure whether it will not be premature at this stage to make a suggestion to the Committee with regard to their procedure respecting classification, which is the next state in the Inquiry, and it is this, that the Committee should ask every body or person intending to make any proposal with regard to classification to send particulars of their objections into the Committee before the Inquiry is opened. That is not at all an original suggestion on my part, it is suggesting that the procedure which was adopted in 1889 with great advantage in the saving of time might perhaps be usefully followed by this Committee. I think it would perhaps make my meaning clearer if I were to hand up to the Committee a copy of one of the old forms.

Chairman: One of the old notices.

Mr. Clements: Something might be founded on that which would enable the Committee to save time and enable them to collect the various objections. I think I am right in saying, although it is a long time since I saw the Report of the Proceedings, that as the result of the course which was followed on those lines the whole of what is now the statutory classification was settled after some nine days' meetings. That, of course, was a very long business, as it was the construction of an absolutely new classification. I think I might supplement the suggestion I have made by a further suggestion, and that is that you might think it convenient to take the general railway classifications to-day as a model and require those who desire to have it altered one way or another to found their proposals upon that model, and to suggest upward or downward motions, whatever they might be. I do not know whether, having foregone the privilege of calling evidence, you would allow the Association to have an opportunity, if they deem it necessary, of calling one witness after the case of the railway companies has been heard, but however that may be I venture respectfully to ask you whether that may be done.

Chairman: We will not refuse it now, we will see how it stands then.

Mr. Clements: Then I think I only have to add now that it is possible that the Association may be able to contribute something useful to the discussion on the proposals which have been put forward, and which I understand you intend to have next Tuesday.
